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DESCRIPTION OF THE ADMINISTRATION'S FISCAL YEAR 1984 BUDGET RECOMMENDATIONS UNDER THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

MARCH 8, 1983

Prepared for the use of the Committee on Ways and Means by its staff

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PREFACE

This document has been prepared for the use of the Committee on Ways and Means by its staff in conjunction with the March 15 report to the Budget Committee. This document describes the Reagan administration fiscal year 1984 budget recommendations requiring legislative action. It also describes the recommendations of the National Commission on Social Security Reform which have a budget impact and are part of the administration's budget. All estimates were provided by either the administration or the Congressional Budget Office (CBO), and the source for each estimate is noted.

The document is divided into four parts:

Part I.—A comparative summary indicating the budget effect and the number of individuals impacted by the Reagan administration recommendations. This part also contains tables describing the entire budget outlook under the administration's proposal and under current law as estimated by the administration and CBO.

Part II.—A detailed description of each outlay reduction, a comparison with present law, and an explanation of how the recommendation is phased in. A short statement on whom the proposal affects is also provided.

Part III.—A detailed description of each revenue proposal, a comparison with present law, and the budget effect of each proposal. The material in this part was prepared by the staff of the Joint Committee on Taxation. The description provided in this part is based upon the explanation provided in the budget documents and from the Treasury Department's "Fact Sheet."

Part IV.—Public debt limit.

The document concludes with two appendices:

Appendix A.—A short description of the Budget and Impoundment Control Act along with several excerpts from the act.

Appendix B.—The Committee on Ways and Means' March 15, 1982, report to the Budget Committee with respect to fiscal year 1983.

The committee wishes to acknowledge the assistance of the Congressional Research Service and the Congressional Budget Office in preparing this document.

This material has been assembled in a limited amount of time in order that Members may have all information currently available about the recommendations as soon as possible. As more information becomes available, the data in this document may necessarily have to be revised.

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PART I

Summary Tables Describing the Legislative Changes Recommended by the President for Programs Under the Jurisdiction of the Committee on Ways and Means and the Entire Budget Outlook Under Current Law and the Administration's Budget

TABLE 1.—CONGRESSIONAL BUDGET OFFICE ESTIMATES OF LEGISLATIVE CHANGES RECOMMENDED BY THE PRESIDENT FOR PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

[In million of dollars]

Program	1983	1984	1985	1986	1987	1988
Social security (OASDI)	−1,704	−3,705	−4,082	−4,307	−4,494	−4,940
Medicare:						
Hospital insurance (HI)	0	−1,130	−1,777	−4,213	−6,462	−7,324
Supplementary medical insurance (SMI)	64	−779	−1,480	−2,811	−4,525	−6,611
Unemployment compensation	1,635	0	0	0	0	0
Trade adjustment assistance	0	−50	−45	−40	−40	−40
AFDC and child support	0	−239	−451	−495	−564	−634
SSI	110	475	498	486	454	457
Title XX	0	−297	−334	−349	−363	−377
Low income energy assistance	0	−492	−539	−575	−575	−575
Child welfare services	0	−13	−21	−29	−38	−46
Foster care	0	0	−40	−85	−133	−187
Total	105	−6,230	−8,271	−12,418	−16,740	−20,277

Note: See footnotes to table 3.

TABLE 2.—ADMINISTRATION ESTIMATES OF LEGISLATIVE CHANGES RECOMMENDED BY THE PRESIDENT FOR PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

[In millions of dollars]

Program	1983	1984	1985	1986	1987	1988
Social security (OASDI)	−2,056	−4,140	−4,548	−4,811	−5,216	−5,502
Medicare	−100	−1,488	−3,371	−4,917	−6,872	−9,048
Unemployment compensation	1,850	0	0	0	0	0
Trade adjustment assistance	0	−51	−51	−50	−49	−48
AFDC and child support	0	−722	−955	−941	−931	−945
SSI	85	341	322	299	266	293
Title XX	0	−297	−334	−349	−363	−377
Low income energy assistance	0	−492	−539	−575	−575	−575
Child welfare services	0	−4	−4	−4	−4	−4
Foster care	0	0	−40	−85	−133	−187
Total	−221	−6,853	−9,520	−11,433	−13,877	−16,393

Note: See footnotes to table 3. The foster care estimates are reductions from a CBO baseline expenditure path. The primary difference between CBO and administration estimates is that the TEFRA reimbursement limits are assumed to be extended under the administration's estimates. Therefore, the savings from prospective reimbursement are small under the administration's estimates and large under CBO baseline assumptions.

TABLE 3.—DETAILED SUMMARY OF OUTLAY REDUCTIONS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS (CBO ESTIMATES)

[By fiscal year, in millions of dollars]

	1983	1984	1985	1986	1987	1988
SOCIAL SECURITY						
6-month delay in OASDI cost-of-living adjustment:						
OASDI	−1,704	−3,793	−4,228	−4,473	4,706	−5,181
Veterans' pensions	−25	−54	−58	−58	−60	−63
Food stamps	0	37	46	51	53	53
Total outlay impact	−1,729	−3,810	−4,240	−4,480	−4,713	−5,191
Liberalize certain benefits affecting primarily women [1]	0	152	247	269	311	347
Eliminate "windfall" benefits [2]	0	−2	−10	−20	−30	−50
Other budget proposals [1]	0	−62	−91	−83	−69	−56
Total-social security	−1,704	−3,705	−4,082	−4,307	−4,494	−4,940
TRADE ADJUSTMENT ASSISTANCE						
Trade adjustment assistance [3]	0	−50	−45	−40	−40	−40
UNEMPLOYMENT COMPENSATION [4]						
Extend Federal supplemental benefits for 6 months:						
Unemployment compensation	1,635	0	0	0	0	0
AFDC and food stamps	−105	0	0	0	0	0
Tax receipts	0	−105	0	0	0	0
Total-unemployment compensation	1,635	0	0	0	0	0

TABLE 3.—DETAILED SUMMARY OF OUTLAY REDUCTIONS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS (CBO ESTIMATES)—Continued

[By fiscal year, in millions of dollars]

	1983	1984	1985	1986	1987	1988
AFDC AND CHILD SUPPORT						
Mandate job search and community work experience programs (CWEP):						
AFDC	0	25	−25	−35	−80	−120
Food stamp	0	−10	−30	−35	−35	−40
Medicaid	0	−133	−228	−250	−272	−296
Total	0	−118	−283	−320	−387	−456
Include in assistance unit parents and minor sibling (except SSI recipients):						
AFDC	0	−120	−130	−135	−140	−145
Food stamp	0	55	60	65	70	70
Medicaid	0	94	103	113	123	134
Total	0	29	33	43	53	59
Mandate proration of shelter utilities for AFDC families in large households:						
AFDC	0	−75	−145	−150	−155	−165
Food stamp	0	35	70	70	70	75
Medicaid	0	−11	−12	−13	−14	−16
Total	0	−51	−87	−93	−99	−106
Remove parent from AFDC assistance unit when youngest child reaches age 16:						
AFDC	0	−20	−25	−25	−25	−25
Food stamp	0	10	10	10	10	10
Medicaid	0	−43	−47	−52	−56	−61
Total	0	−53	−62	−67	−71	−76
Eliminate benefits if parent leaves home to look for employment:						
AFDC	0	−5	−5	−5	−5	−5

TABLE 3.—DETAILED SUMMARY OF OUTLAY REDUCTIONS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS (CBO ESTIMATES)—Continued

[By fiscal year, in millions of dollars]

	1983	1984	1985	1986	1987	1988
Food stamp	0	3	3	3	3	3
Total	0	−2	−2	−2	−2	−2
Sanction voluntary quit	0	−1	−1	−1	−1	−1
Allow States to require parents to register for work and CWEP when youngest child attains age 3:						
AFDC	0	−3	−4	−5	−6	−7
Food stamps	0	2	2	2	2	2
Total	0	−1	−2	−3	−4	−5
Restructure Federal financing [1]	0	−30	−65	−70	−75	−80
Mandate changes in State child support enforcement laws	0	−10	−51	−69	−77	−86
Total-AFDC	0	−239	−451	−495	−564	−634
LOW INCOME ENERGY ASSISTANCE						
Reduced funding	0	−492	−539	−575	−575	−575
TITLE XX						
Reduced funding	0	−297	−334	−349	−363	−377
SUPPLEMENTAL SECURITY INCOME						
Delay cost-of-living adjustment:						
SSI	−100	−130	−170	−170	−175	−210
Food stamps	0	15	25	25	25	25
Total budget effect	−100	−115	−145	−145	−150	−185
Increase disregard of OASDI income from $20 to $50:						
SSI	210	650	715	705	680	720
Food stamps	−40	−130	−145	−140	−135	−145
Medicaid	5	55	75	80	85	85
Total budget effect	175	575	645	645	630	660

TABLE 3.—DETAILED SUMMARY OF OUTLAY REDUCTIONS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS (CBO ESTIMATES)—Continued

[By fiscal year, in millions of dollars]

	1983	1984	1985	1986	1987	1988
Recover overpayments to individuals from available social security benefits:						
SSI	0	−19	−20	−21	−22	−23
Food stamps	0	4	4	4	4	5
Total budget effect	0	−15	−16	−17	−18	−18
Other:						
SSI	0	−26	−27	−28	−29	−30
Food stamps	0	4	4	5	5	5
Total budget effect	0	−22	−23	−23	−24	−25
Total-Supplemental security income	110	475	498	486	454	457
MEDICARE						
Provisions affecting hospital insurance:						
Prospective payment for hospitals	0	0	0	−2,086	−4,045	−4,542
Reduce target rate of hospital cost increase by 1 percentage point	0	−80	−170	−200	−210	−250
Voluntary voucher	0	0	33	33	33	33
Restructure beneficiary cost-sharing	0	−1,885	−3,005	−3,625	−4,140	−4,754
Provide catastrophic protection	0	985	1,555	1,875	2,140	2,454
1 month delay in initial eligibility	0	−135	−170	−190	−215	−240
Eliminate mandatory utilization review	0	0	0	0	0	0
Lower:						
Reimbursement to home health agencies for durable medical equipment	0	−15	−20	−20	−25	−25

TABLE 3.—DETAILED SUMMARY OF OUTLAY REDUCTIONS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS (CBO ESTIMATES)—Continued

[By fiscal year, in millions of dollars]

	1983	1984	1985	1986	1987	1988
Eliminate waiver of provider liability for uncovered medicare services..	0	0	0	0	0	0
Total-hospital insurance	0	−1,130	−1,810	−4,246	−6,495	−7,357
Provisions affecting supplementary medical insurance:						
Freeze physician reimbursement for 1 year.....	−50	−900	−1,050	−1,200	−1,370	−1,560
Change timing of and increase part B premiums.....	114	245	−223	−1,313	−2,752	−4,538
Index part B deductible to medicare economic index.....	0	−50	−115	−180	−250	−320
1 month delay in initial eligibility.....	0	−65	−95	−115	−135	−155
Competitive bidding for lab services and durable medical equipment	0	−9	−14	−20	−35	−55
Voluntary voucher.....	0	0	17	17	17	17
Total-Supplemental medical insurance	64	−779	−1,480	−2,811	−4,525	−6,611

[1] Administration estimate.

[2] This proposal was not completely specified in the report of the National Commission on Social Security Reform. The budget impact shown here assumes a method which would apply the present benefit formula to an earnings record which combines both covered and noncovered earnings to determine a replacement rate which would apply to the average earnings based solely on covered employment. This is the estimate used by the administration in the budget.

[3] The savings for the trade adjustment assistance program reflect only changes in the worker portion of the program.

[4] The other unemployment compensation budget proposals (e.g., the voucher proposal) are not estimated.

[5] The administration does not reduce the funding for the social services block grant. However, this block grant is merged with the community services block grant whose funding is completely eliminated. These estimates assume a proportionate reduction in the funding for each of the two block grants.

TABLE 4.—ADMINISTRATION ESTIMATES OF MEDICARE AND AFDC OUTLAY REDUCTIONS

[By fiscal year, in millions of dollars]

	1983	1984	1985	1986	1987	1988
MEDICARE PROPOSALS						
Prospective payment for hospitals	0	0	0	−110	−210	−250
Reduction in rate of increase in hospital spending	0	−80	−170	−90	0	0
Voluntary voucher	0	0	+50	+50	+50	+50
Part A benefit restructuring	(0)	(−710)	(−1,250)	(−1,420)	(−1,600)	(−1,790)
Medicaid offset	(0)	(+47)	(+86)	(+93)	(+101)	(+108)
Net budget effect	0	−663	−1,164	−1,327	−1,499	−1,682
1 month delay in initial eligibility	(0)	(−215)	(−265)	(−305)	(−350)	(−390)
Medicaid offset	(0)	(+14)	(+17)	(+19)	(+21)	(+23)
Net budget effect	0	−201	−248	−286	−329	−367
Indexing of part B deductible	(0)	(−50)	(−130)	(−215)	(−310)	(−410)
Medicaid offset	(0)	(+4)	(+11)	(+17)	(+23)	(+29)
Net budget effect	0	−46	−119	−198	−287	−381
Competitive bidding for lab services and durable medical equipment	0	−9	−14	−20	−35	−55
Coinsurance for durable medical equipment as home health service	0	−15	−20	−20	−25	−25
Physician fee freeze	−100	−700	−900	−1,000	−1,200	−1,300
Eliminate UR	0	−58	−60	−62	−64	−66
Waiver of provider liability	0	−10	−10	−10	−10	−10
Coverage for nonprofits	0	0	0	0	+1	+2
Eliminate ESRD networks	0	−5	−5	−5	−5	−5
Contractor initiatives	0	0	−3	−8	−15	−25
Eliminate separate RRB claims processing	0	−1	−1	−1	−1	−1
Process part A bills on flow basis	0	−3	−3	−4	−4	−4
Part B premium increase	(0)	(+368)	(−590)	(−1,697)	(−3,098)	(−4,769)
Medicaid offset	(−7)	(−9)	(+15)	(+80)	(+161)	(+260)
Net budget effect	−7	+359	−575	−1,617	−2,937	−4,509
AFDC PROPOSALS						
Require inclusion of parents and siblings in filing unit (except SSI recipients):						
AFDC		(−131)	(−133)	(−135)	(−137)	(−139)
Medicaid		(+94)	(+103)	(+113)	(+123)	(+134)
Total		−37	−3	−22	−14	−5
Require States to adjust shelter and utility costs:						
AFDC		(−229)	(−233)	(−238)	(−242)	(−246)
Medicaid		(−11)	(−12)	(−13)	(−14)	(−16)
Total		−240	−245	−251	−256	−262
End benefits to employable parents when youngest child turns 16:						
AFDC		(−22)	(−22)	(−22)	(−22)	(−22)
Medicaid		(−43)	(−47)	(−52)	(−56)	(−61)
Total		−65	−69	−74	−78	−83
Require employable recipients to participate in work:						
AFDC benefit savings		(−456)	(−735)	(−716)	(−703)	(−713)
AFDC administrative costs		(+181)	(+234)	(+237)	(+241)	(+244)
Medicaid		(−133)	(−228)	(−250)	(−272)	(−296)
Total		−408	−729	−729	−734	−765
Prohibit payments when absence of parent is due to employment-related activities		−5	−5	−5	−5	−5
Sanction an individual who chooses not to work		−1	−1	−1	−1	−1
Permit States to require parents of children aged 3 to 5 to register for work if child care is available		−3	−4	−5	−6	−7
Phase in restructuring of financing and provide bonuses		−10	−51	−69	−77	−86
Mandate changes in State laws (OCSE)		−$56	−$56	−$56	−$56	−$56
Food stamp impact of AFDC proposals		202	205	209	212	215

TABLE 5.—ADMINISTRATION'S ESTIMATES OF BUDGET EFFECTS OF REVENUE PROPOSALS [1]

[By fiscal years, in billions of dollars]

Item	1983	1984	1985	1986
Revenue increases:				
1. Social security related tax proposals		8.2	5.8	8.9
2. Exclusion for employer-provided health insurance premiums		2.3	4.4	6.0
3. Contingency tax plan:				
Oil tax				46.0
Income tax surcharge				
Subtotal, revenue increase provisions		10.5	10.2	61.0
Revenue reductions:				
1. Education savings accounts		(2)	−.1	−.2
2. Tuition tax credit		−.2	−.5	−.8
3. Caribbean Basin Initiative	(2)	(2)	(2)	(2)
4. Enterprise zone tax incentives		−.1	−.4	−.8
5. Tax credit for hiring long-term unemployed	(2)	−.2	−.2	−.1
Subtotal, revenue reduction provisions	(2)	−.5	−1.2	−1.7
Total tax provisions	(2)	10.0	9.0	59.2
Civil service retirement contributions		1.2	2.3	2.1
Total, revenue provisions, including civil service retirement provisions [3]	(2)	11.1	11.2	61.3

[1] These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Induced effects are taken into account for forecasting incomes, however, and in this way affect the receipts estimates by major source and in total.

[2] Revenue reduction of $50 million or less.

[3] These totals do not include miscellaneous budget receipts of $22 million for 1984 and 1985 and $23 million in 1986 from Migratory Bird Hunting Stamps and Iranian Court costs.

Source: Budget of the United States Government, Fiscal Year 1984.

TABLE 6.—CBO BASELINE PROJECTIONS FOR PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS FOR FISCAL YEARS 1983, 1984, 1985, 1986, 1987, AND 1988

[In billions of dollars]

	1983	1984	1985	1986	1987	1988
Social security	170.1	181.6	193.8	206.6	219.9	235.0
OASI	(151.4)	(162.5)	(174.6)	(187.2)	(199.9)	(214.2)
DI	(18.7)	(19.1)	(19.2)	(19.4)	(20.0)	(20.8)
Medicare	52.7	60.4	68.4	79.3	92.3	105.3
Health insurance	(38.9)	(44.3)	(49.7)	(57.3)	(66.4)	(74.7)
Supplementary medical insurance	(13.8)	(16.1)	(18.7)	(22.0)	(25.9)	(30.5)
Trade adjustment assistance	.1	.1	(1)	(1)	(1)	(1)
Unemployment assistance	30.2	24.2	22.9	22.6	22.3	22.1
AFDC and child support	8.1	8.4	8.5	8.8	9.1	9.5
Earned income tax credit	1.2	1.1	1.0	1.0	1.0	.9
SSI	8.6	7.4	8.1	8.4	8.6	9.6
Low income energy assistance	2.0	2.2	2.2	2.3	2.4	2.4
Social services (title XX)	[2] 2.5	2.5	2.6	2.7	2.7	2.7
Child welfare, foster care, adoption assistance	.6	.6	.6	.6	.7	.7
Total	276.0	288.5	308.2	332.3	359.0	388.2

[1] Less than $50 million.
[2] Actually $2.45 billion.

Note.—SSI estimates include 13 months of benefits in fiscal years 1983 and 1988. Fiscal year 1984 includes 11 months of benefits. Part B (SMI) expenditures have been adjusted by subtracting premiums paid by Part B enrollees. This conforms to the new OMB convention.

Source: Congressional Budget Office.

TABLE 7.—WAYS AND MEANS PROGRAM OUTLAYS COMPARED WITH TOTAL FEDERAL GOVERNMENT OUTLAYS FOR SELECTED YEARS

[In billions of dollars]

	1970	1975	1980	1982	1984 [1]	1988 [1]
Social security (including medicare)	36.6	77.6	150.6	202.6	242.0	340.3
Unemployment Compensation and trade adjustment assistance	3.3	13.3	14.5	23.2	24.3	22.1
Public assistance and social services (AFDC, SSI, title XX, EITC, low income energy assistance and child welfare programs)	5.3	11.9	21.0	21.4	22.2	25.8
Net interest	14.4	23.2	52.5	84.7	96.0	134.0
National defense	78.6	85.6	135.9	187.4	242.0	358.0
Veteran's benefits	8.7	16.6	21.2	24.0	25.0	27.0
All other	48.8	96.1	181.0	185.1	198.5	237.8
Total	195.7	324.2	576.7	728.4	850.0	1,145.0

[1] Based upon CBO baseline current law projections.

TABLE 8.—WAYS AND MEANS PROGRAM OUTLAYS COMPARED WITH TOTAL FEDERAL OUTLAYS IN PERCENTAGE TERMS FOR SELECTED YEARS

	1970	1975	1980	1982	1984 [1]	1988 [1]
Social security (including medicare)	18.7	23.9	26.1	27.8	28.5	29.7
Unemployment compensation and trade adjustment assistance	1.7	4.1	2.5	3.2	2.9	1.9
Public assistance and social services (AFDC, SSI, title XX, EITC, low income energy assistance and child welfare programs)	2.7	3.7	3.6	2.9	2.6	2.3
Interest	7.4	7.2	9.1	11.6	11.3	11.7
National defense	40.2	26.4	23.6	25.7	28.5	31.3
Veterans' benefits	4.4	5.1	3.7	3.3	2.9	2.4
All other	24.9	29.6	31.4	25.4	23.4	20.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
Ways and Means programs as percent of total Federal Government outlays, less interest	24.9	34.2	35.5	38.4	38.3	38.4

[1] Based on CBO baseline current law projections.

TABLE 9.—ADMINISTRATION AND CONGRESSIONAL BUDGET OFFICE ESTIMATES OF ADMINISTRATION BUDGET REVENUES, BY SOURCE

[By fiscal year, in billions of dollars]

Proposal	1983	1984	1985	1986	1987	1988
Individual income taxes:						
Administration	285.3	295.6	317.9	358.6	395.7	446.1
CBO	285.8	294.8	317.0	358.8	386.3	416.5
Corporate income taxes:						
Administration	35.3	51.8	60.5	74.0	84.0	86.7
CBO	40.3	55.6	64.9	72.7	81.7	86.3
Social insurance taxes and contributions:						
Administration	210.3	242.9	275.5	304.9	330.3	370.2
CBO	212.1	243.3	275.5	302.2	323.7	358.3
Excise taxes:						
Windfall profit taxes:						
Administration	13.8	12.2	11.3	10.5	9.8	9.2
CBO	14.4	13.5	12.2	10.3	9.6	9.0
Other:[1]						
Administration	23.5	28.1	29.5	64.4	66.5	67.4
CBO	23.4	28.4	29.6	52.7	54.1	55.1
Other revenues:						
Administration	29.4	29.1	29.6	29.6	30.0	30.6
CBO	30.2	28.9	29.2	28.9	28.4	28.4
Total:						
Administration	597.5	659.7	724.3	841.9	916.3	1,010.3
CBO	606.3	664.5	728.4	825.6	883.8	953.5
Percent of administration GNP	18.7	18.9	19.0	20.3	20.3	20.6
Percent of CBO GNP	19.0	19.0	19.1	19.9	19.8	19.9

[1] The Administration's budget estimates include the revenue gain from $7 per barrel fee on oil. The contingency tax actually proposed by the Administration is a $5 per barrel fee. Therefore, the CBO estimates include the estimated revenue gain from $5 per barrel fee, which is expected to raise about $9 billion less per year than is shown in the Administration's budget.

TABLE 10.—THE BUDGET OUTLOOK UNDER CURRENT POLICIES AND THE ADMINISTRATION'S BUDGET

[By fiscal year, in billions of dollars]

	1983 base	Projections				
		1984	1985	1986	1987	1988
CBO baseline projections:						
Revenues	606	654	718	774	827	882
Outlays	800	853	928	1,000	1,075	1,150
Deficit	194	200	210	276	248	268
Administration current services baseline with proposed defense spending growth (OMB estimates):						
Revenues	598	649	713	781	849	927
Outlays	806	880	966	1,052	1,141	1,227
Deficit	208	232	253	271	292	300
Administration's budget (OMB estimates):						
Revenues	598	660	724	842	916	1,010
Outlays	805	848	918	990	1,058	1,127
Deficit	208	189	194	148	142	117
Administration's budget as reestimated by CBO:						
Revenues	606	665	728	826	884	954
Outlays	801	841	905	973	1,044	1,113
Deficit	195	176	177	147	160	159

February analysis of President's budget by CBO.

TABLE 11.—CBO ESTIMATE OF ADMINISTRATION'S BUDGET PROGRAM

[By fiscal year, in billions of dollars]

	1984	1985	1986	1987	1988	Cumulative 5-year total
CBO baseline deficit	200	210	226	248	268	1,152
Proposed changes:						
Revenues:						
Contingency tax plan			−37	−39	−41	−117
Social security plan	−8	−5	−8	−9	−20	−50
Other, net	−3	−5	−7	−8	−11	−33
Subtotal	−11	−11	−52	−57	−71	−201
Outlays:						
National defense	3	5	12	24	32	75
Social Security plan	−3	−3	−4	−4	−4	−17
Other entitlements	−6	−12	−16	−19	−21	−74
Nondefense discretionary spending	−5	−7	−11	−17	−21	−61
Offsetting receipts	−2	−4	−5	−6	−8	−25
Net interest	*	−1	−5	−10	−15	−30
Subtotal	−13	−23	−28	−31	−38	−131
Total policy changes	−24	−33	−79	−87	−109	−332
President's budget as estimated by CBO	176	177	147	160	159	820
Percent of revenue increases within jurisdiction of Committee on Ways and Means	100	100	100	100	100	100
Percent of outlay reductions within jurisdiction of Committee on Ways and Means [1]	38	31	33	37	37	36

[1] Does not include defense outlay increases or net interest outlay reduction.

TABLE 12.—OUTLAY IMPACT OF LEGISLATIVE CHANGES ENACTED DURING 1981 AND 1982 PLUS FISCAL YEAR 1984 ADMINISTRATION BUDGET RECOMMENDATIONS ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

[In millions of dollars]

	Fiscal year				
	1982	1983	1984	1985	1986
Trade adjustment assistance	−1,100	−930	−600	−600	−600
Social security	−1,700	−4,504	−7,405	−8,182	−8,607
Unemployment compensation [1]	−2,370	−95	−5,495	−6,068	−6,354
Aid to families with dependent children and child support enforcement	−875	−1,222	−1,527	−1,828	−1,899
Supplemental security income	32	33	407	435	431
Social services block grant	−699	−748	−1,101	−1,144	−1,164
Low income energy assistance	0	0	−492	−539	−575
Child welfare services	0	0	−13	−21	−29
Foster care	0	0	0	−40	−85
Medicare:					
Hospital insurance	−360	−2,478	−4,807	−6,846	−8,730
Supplementary medical insurance	−175	−543	−1,994	−3,366	−5,126
Total	−7,247	−10,414	−23,027	−28,199	−32,738

[1] Includes impact of lowering unemployment compensation thresholds. Does not include revenue increases to the UC trust funds.

TABLE 13.—PERCENTAGE CHANGE IN OUTLAYS RESULTING FROM LEGISLATIVE CHANGES ENACTED DURING 1981 AND 1982 PLUS FISCAL YEAR 1984 ADMINISTRATION BUDGET RECOMMENDATIONS ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS [1]

	Fiscal year				
	1982	1983	1984	1985	1986
Trade adjustment assistance	−92.9	−93.0	−100.0	−100.0	−100.0
Social Security	−1.1	−2.6	−4.0	−4.1	−4.1
Unemployment compensation [2]	−10.1	−.3	−18.0	−20.5	−21.5
Aid to families with dependent children and child support enforcement	−9.9	−13.0	−15.8	−18.5	18.6
Supplemental security income	+.4	.4	5.4	5.3	5.1
Social services block grant	−21.4	−23.4	−33.3	−33.6	−33.1
Low income energy assistance	0	0	−26.2	−28.8	−30.7
Child welfare services	0	0	−7.7	−11.9	−15.7
Foster care	0	0	0	−8.3	−16.2
Medicare:					
Hospital insurance	−1.0	−6.0	−10.0	−12.5	−14.1
Supplementary medical insurance	−1.1	−2.3	−8.9	−12.9	−17.0
Total	−2.9	−3.6	−7.6	−8.6	−9.3

[1] These percentages were computed using the CBO baseline estimates presented in Summary Table 6.
[2] Includes impact of lowering unemployment compensation thresholds. Does not include revenue increases to the UC trust funds.

TABLE 14.—COMPARISON OF ADMINISTRATION AND THE CONGRESSIONAL BUDGET OFFICE LONG RUN ECONOMIC ASSUMPTIONS

[By calendar year]

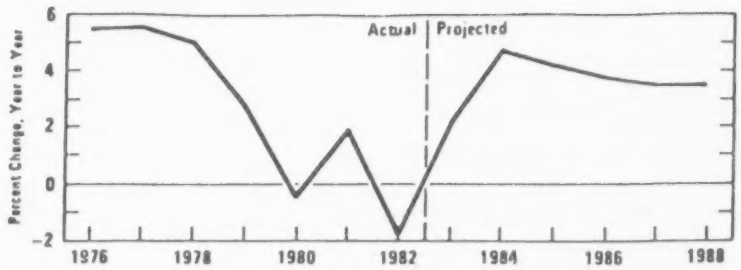
	1983	1984	1985	1986	1987	1988
Gross national product (GNP):						
Current dollars (percent change, year to year):						
President's February budget	6.7	9.3	9.1	8.8	8.7	8.6
CBO baseline	6.8	9.6	9.0	8.1	7.6	7.4
Constant (1972) dollars (percent change, year to year):						
President's February budget	1.4	3.9	4.0	4.0	4.0	4.0
CBO baseline	2.1	4.7	4.1	3.7	3.5	3.5
Prices:						
GNP deflator (percent change, year to year):						
President's February budget	5.2	5.2	4.9	4.6	4.5	4.4
CBO baseline	4.6	4.7	4.7	4.3	3.9	3.8
Consumer Price Index (percent change, year to year):						
President's February budget	4.9	4.6	4.6	4.6	4.5	4.4
CBO baseline	3.8	4.6	4.7	4.1	3.9	3.7
Unemployment rate [1] (percent, annual average):						
President's February budget	10.7	9.9	8.9	8.1	7.3	6.5
CBO baseline	10.6	9.8	9.0	8.4	8.0	7.5
Interest rate (91-day Treasury bills, percent, annual average):						
President's February budget	8.0	7.9	7.4	6.8	6.5	6.1
CBO baseline	6.8	7.4	7.2	6.6	6.1	5.9
"Real" [2] interest rate:						
President's February budget	2.8	2.7	2.5	2.2	2.0	1.7
CBO baseline	2.2	2.7	2.5	2.3	2.2	2.1

[1] The unemployment rate predicted by the Administration is for the entire labor force, while that predicted by CBO excludes military workers. Adjusting for this definitional difference involves increasing the Administration's figures by roughly 0.1 percentage point.

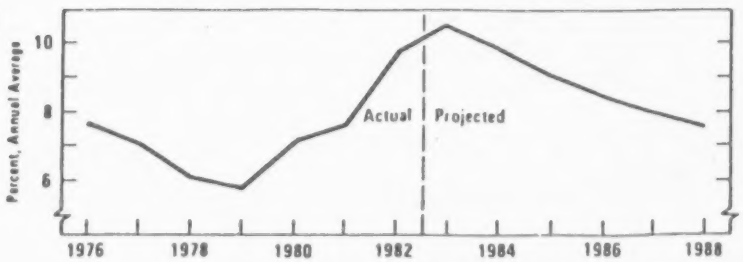
[2] "Real" interest rates are defined here as the 91-day Treasury bill rate minus rate of inflation as measured by the GNP deflator.

15.—MAJOR ECONOMIC ASSUMPTIONS

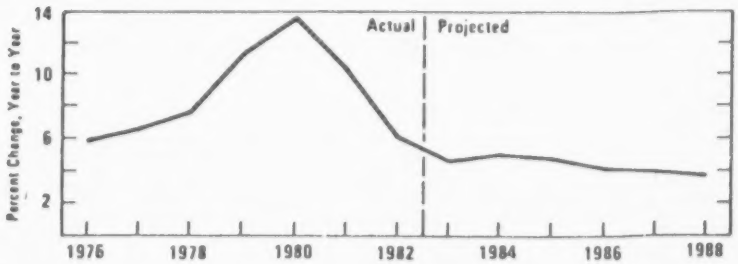
Real Economic Growth



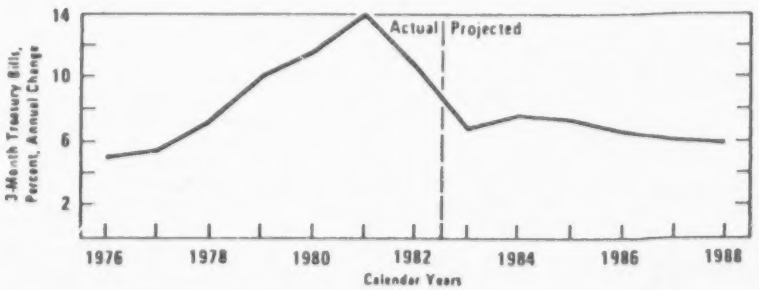
Unemployment Rate



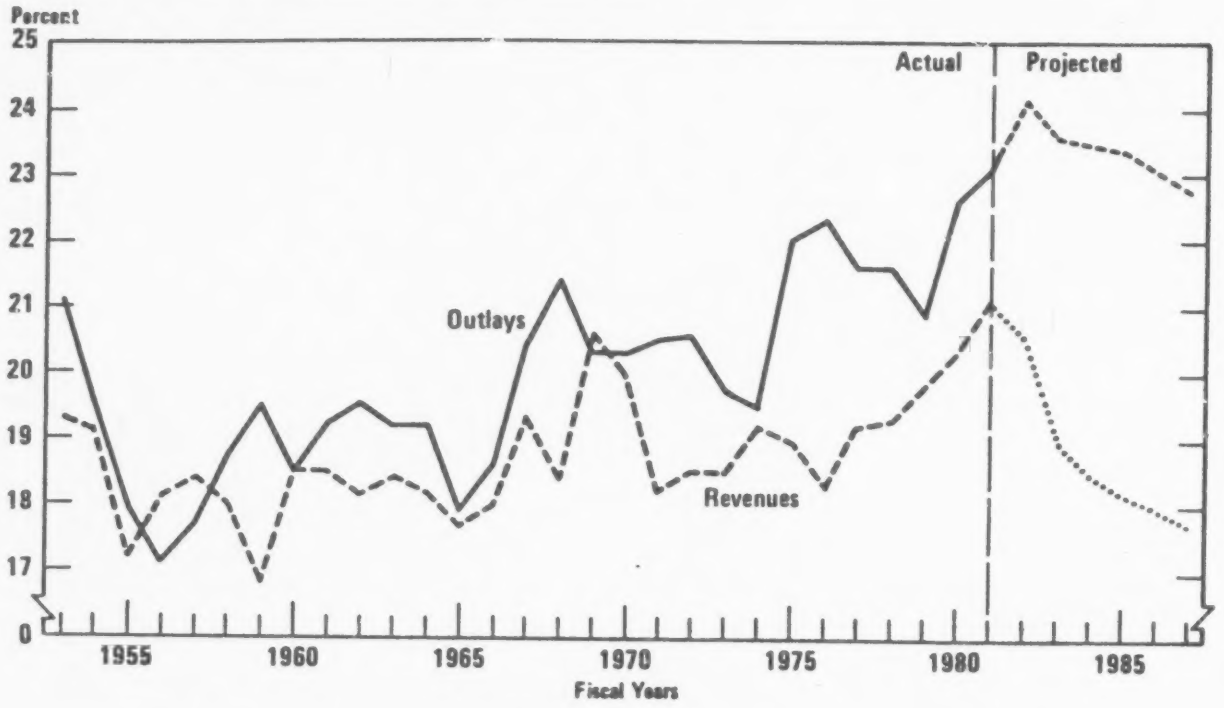
Consumer Prices



Short-Term Interest Rate



16.—FEDERAL REVENUES AND OUTLAYS AS A PERCENTAGE OF GNP



SOURCE: Congressional Budget Office.

PART II

Description of Administration Proposals To Reduce Spending for Programs Under the Jurisdiction of the Committee on Ways and Means

SOCIAL SECURITY

The Administration's budget for fiscal year 1983 includes the recommendations of the National Commission on Social Security Reform. The proposals with no budget effect are not described.

Delay cost-of-living adjustments.

Current law and background:

Social security benefits are adjusted automatically every June (July check) to reflect increases in the consumer price index (CPI). This cost-of-living adjustment is measured from the average CPI of the first quarter of the previous year in which a benefit increase was provided to the average of the first quarter of the current year. No cost-of-living increase is provided in any year in which the increase in the CPI is less than 3 percent.

The medicare monthly premium for part B physician coverage also increases each July 1. (For those people receiving social security cash benefits, the premium is deducted from their checks.)

Description of proposal:

The proposal would delay the June 1983 cost-of-living adjustment until December (January 1984 check), and provide all subsequent cost-of-living adjustments in December (January checks). All subsequent adjustments would be based on the CPI increase from the third quarter of the last year in which a cost-of-living adjustment was provided to the third quarter of the current year.

Impact:

According to the CBO, OASDI outlays would be reduced by $1.7, $3.8, and $4.2 billion for fiscal years 1983, 1984 and 1985 respectively. The CBO projects an increase of 4.1 percent in the consumer price index from the first quarter of 1982 to the first quarter of 1983. All beneficiaries would be affected (except those student beneficiaries who no longer receive a cost-of-living adjustment). The average loss would be about $15 per month. The 75 year savings as a percentage of long run taxable payroll is .30.

Effective date:

July 1, 1983.

Eliminate "windfall benefits" for persons with pensions from noncovered employment.

Current law and background:

Social security benefits are determined through a formula based on average lifetime earnings in jobs covered by social security. The benefit formula is weighted so that persons with low average life-

time earnings receive proportionally a higher rate of return on their contributions to social security than workers with relatively high average lifetime earnings.

Workers with short periods of covered work also get this advantage, because their few years of earnings are averaged over a 35-year period to get their average monthly covered earnings on which the benefit is based.

This high rate of return for persons who have spent a short period of time in covered employment is what is often characterized as "windfall" benefits.

This windfall is seen as particularly inequitable where the worker receives, in addition to social security, a pension from noncovered employment that is meant to take the place of both social security and a private pension.

Description of proposal:

The proposal would eliminate "windfall" benefits by modifying the social security benefit formula for workers who spend most of their careers in jobs not covered by social security but who have worked long enough in covered employment to be eligible for social security benefits. (No specific formula was recommended.) This formula would apply only to future retirees who are also eligible for a pension from noncovered work.

Impact:

Without a specific formula, this proposal cannot be evaluated. One specific proposal suggested by the National Commission would be to apply a different benefit formula to workers who are eligible for a pension from noncovered employment. Under the current formula, benefits are 90 percent of the first $254 of average monthly earnings, 32 percent of earnings from $254 to $1538, and 15 percent of earnings above $1538. The new formula applicable to those with pensions from noncovered employment would substitute 32 percent for the 90 percent factor.

A guarantee would provide that the resulting reduction in the worker's social security benefit could not be more than one-half the amount of the noncovered pension.

The maximum loss in benefits per month in calendar year 1983 is .58 times 254 or 147. The savings are projected to be less than 50 million per year from fiscal year 1983 to 1987. The long run savings is .02 of taxable payroll.

Effective date:

For the specific provision described above the subheading "impact," the provision would be applicable to persons reaching age 62 after December 31, 1983.

Continue benefits for surviving divorced or disabled spouse who remarries.

Current law and background:

Current law permits the continuation of benefits for surviving spouses who remarry after age 60. However, benefits for disabled widow(er)s and surviving divorced spouses (payable from age 50 to

60), for surviving divorced spouses (payable at age 60) and disabled surviving divorced spouses (payable from age 50 to 60) are terminated if the individual remarries.

Description of proposal:

The proposal would allow the continuation of benefits for the spouses described upon remarriage if that marriage takes place after the age of first eligibility for benefits.

No change would be made in the current dual entitlement provision of the law which allows an individual to receive only the highest benefit for which such individual is eligible.

Impact:

According to the Office of Actuary under II–B assumptions this proposal will increase social security benefits by $100 million over the period from calendar year 1983 to 1989.

Effective date:

Unspecified.

Modify indexing of deferred survivor benefits.

Current law and background:

Survivor benefits are based on the amount of benefits that would have been payable to the deceased worker as determined by applying a benefit formula to the worker's earnings in covered employment. Such earnings are indexed to reflect economy-wide wage increases through the second year before the death of the worker. Beginning with the year of death, benefit levels are indexed to price changes.

Should the worker die long before retirement age, the benefit to which the widowed spouse ultimately becomes eligible in old-age (or at disability) is based on outdated wages. Thus, women who become widowed at a relatively young age, but do not become eligible for benefits for many years, are deprived of their husband's unrealized earnings as well as the economy-wide wage increases that may have occurred since the death of their husbands.

Description of proposal:

In the case of deferred survivor benefits, the proposal would continue indexing the worker's earnings to reflect economy-wide wage increases rather than price increases. Such wage indexing would apply through the year the worker would have reached age 60, or two years before the survivor becomes eligible for aged or disabled widow's benefits, whichever is earlier.

Impact:

According to the Office of Actuary under II–B assumptions this proposal will increase social security benefits by $50 million over the period from calendar year 1983 to 1989.

Effective date:

January 1, 1984.

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Continue benefits for divorced spouses regardless of whether a former spouse is drawing benefits.

Current law and background:

A divorced spouse, eligible for benefits at age 62, may not begin to draw social security benefits until the former spouse begins to draw benefits. For some divorced women, this means that they must wait several years beyond their own retirement age (because their former spouse delays retirement or otherwise fails to apply for benefits) before they can begin to draw benefits.

Description of proposal:

The proposal would allow divorced spouses (who have been divorced for at least 2 years) to draw benefits at age 62 if the former spouse is eligible for retirement benefits, whether or not benefits have been claimed or suspended because of substantial employment.

Impact:

According to the Office of Actuary, under II–B assumptions this proposal will increase social security benefits by $100 million over the period from calendar year 1983 to 1989.

Effective date:

January 1, 1984.

Increase benefits for disabled widows and widowers.

Current law and background:

Social security benefits for widows and widowers are first payable at age 60. Benefits are payable in full (i.e., 100 percent of the worker's primary insurance amount) at age 65, and at reduced rates at ages 60–64 (i.e., phasing up from 71.5 percent of the primary insurance amount at age 60). Benefits are also payable at reduced rates to disabled widows and widowers aged 50–59 (i.e., phasing up from 50 percent of the primary insurance amount at age 50).

Description of proposal:

The proposal would increase disabled widow(er)s benefits to 71.5 percent of the primary insurance amount, the amount to which widow(er)s are entitled at age 60.

Impact:

According to the Office of Actuary, under II–B assumptions this proposal will increase social security benefits by $1,400 million over the period from calendar year 1983 to 1989. Based on Social Security Administration data, approximately 200,000 recipients would receive $50 or 20 percent in added benefits per month under this provision.

Effective date:

January 1, 1984.

Other budget proposals.

The administration's budget for fiscal year 1984 includes other assumed changes in OASDI outlays which would be achieved by amendment of current law. Most of these assumed outlay changes would affect the DI program.

Current law and background:

SSA is required to provide individuals denied disability benefits with an individualized notice of denial; the budget assumes the elimination of this requirement. Since the end of fiscal year 1982, the Secretary has been required to review at least 65 percent of the disability determinations made by the States prior to the time when the payment of benefits is effectuated; under the administration's budget this present law requirement would be eliminated. At the present time, no explicit definition exists for evaluating the role of pain in the determination of a disability; the budget assumes that provision for such a definition will be made. Currently, payment is provided for medical evidence of record submitted for purposes of making disability determinations; under the administration's budget these payments would be eliminated. Under present law, when a disability determination favorable to the claimant has been rendered, and the claimant has been represented by an attorney, the Secretary is required to deduct from the amount owed the claimant an amount specified for the attorney's fee; as proposed under the budget this requirement for the deduction of attorney's fees would be eliminated.

Description of proposal:

Legislative changes assumed under the administration's fiscal year 1984 budget affecting the OASI program include: the suspension of certain auxiliary and survivor benefits to persons outside the United States; and changes in the application of the disability offset. In addition, the administration's budget assumes that authorization will be provided for the collection of interest on outstanding overpayments from payable benefits under both the OASI and DI programs.

Impact:

The administration estimates reduced expenditures of $62, $91, $83, $69, and $56 million for fiscal years 1984 to 1988 respectively.

Effective date:

Unspecified.

UNEMPLOYMENT COMPENSATION

Extension and modification of Federal supplemental compensation.

Current law and background:

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) established the Federal supplemental compensation program (FSC) which provides additional weeks of unemployment compensation to individuals who have exhausted their regular State benefits and any extended benefits to which they were entitled. Weekly benefits amounts are identical to regular State program benefits for each claimant. As originally enacted, the FSC program provided 10, 8, or 6 additional weeks of benefits. The Surface Transportation Assistance Act of 1982 (Public Law 97-424) increased the maximum number of weeks of FSC benefits to 16, 14, 12, 10, or 8, depending on the State where the individual qualified for the benefits between September 12, 1982 and March 31, 1983.

Beginning with the week of January 9, 1983, the FSC program provides the following maximum weeks of benefits:

(1) 16 weeks in States with an insured unemployment rate (IUR) of at least 6.0 percent;

(2) 14 weeks in States that were triggered on the extended benefits program between June 1, 1982 and January 6, 1983;

(3) 12 weeks in States with an IUR of at least 4.5 percent that have not been triggered on the extended benefits program between June 1, 1982 and January 6, 1983;

(4) 10 weeks in States with an IUR of at least 3.5 percent, but less than 4.5 percent and that have not been triggered on the extended benefits program between June 1, 1982 and January 6, 1983;

(5) 8 weeks for all other States.

In order to be eligible for these benefits, an individual must have exhausted his regular State benefits and any extended benefits to which he was entitled and (1) his benefit year must end on or after June 1, 1982 or (2) he must have been eligible for extended benefits for any week beginning on or after June 1, 1982.

When an individual is determined to be eligible for State unemployment compensation benefits, he generally has 52 weeks, known as the benefit year, in which to collect the benefits to which he is entitled. In most States, the benefit year begins with the first week for which a valid claim for benefits was filed. Therefore, in most States, if an individual first filed a valid claim for unemployment compensation benefits for a week beginning on or after June 1, 1981, he should be eligible for FSC benefits. If an individual's benefit year ends before June 1, 1982, but he was eligible to receive extended benefits for any week beginning on or after June 1, 1982, he will be eligible for FSC benefits.

If an individual is eligible for FSC benefits, the number of weeks of such benefits is determined in relation to the number of regular State benefits to which he was entitled. An eligible individual will receive the lesser of 65 percent of the number of weeks of regular State benefits to which he was entitled or the maximum number of

weeks of FSC benefits provided in the State where he qualified for the benefits.

Description of proposal:

The administration proposes two major changes in Federal supplemental compensation (FSC): (1) an extension and modification of the cash FSC program through September 30, 1983; and (2) establishment of vouchers for job subsidies that FSC claimants could offer to potential employers.

The cash component of FSC would be changed in several ways. First, the number of weeks available in the States would be: (1) 16 weeks in States with insured unemployment rates (IUR) of at least 6.0 percent; (2) 12 weeks in States with IURs of at least 4.5 percent but less than 6.0 percent; and (3) 8 weeks in all other States. Second, the number of weeks of employment a claimant must have in his base year (i.e., the period prior to becoming unemployed, as defined by State law) to qualify for benefits would increase from 20 to 30 weeks. Third, persons who have voluntarily quit their jobs or been fired for good cause would be disqualified from receiving FSC.

The job vouchers would provide a subsidy to a prospective employer equal to one-half of the claimant's weekly benefit amount for twice the claimant's remaining weekly FSC benefits. For example, if a claimant had 10 weeks of benefits remaining at $120 per week, the employer could ultimately receive a total subsidy of $1,200 for 20 weeks of employment. The subsidy would be a credit against the employer's unemployment taxes. If an employer's total subsidy exceeded his unemployment taxes, he could credit the excess against his corporate income tax.

Impact:

According to the Congressional Budget Office the cash component of the administration's FSC proposed will increase unemployment compensation outlays by $1.64 billion in fiscal year 1983. Approximately 1.7 million workers will receive additional benefits as a result of the provision. The average weekly benefit is $124 per week and the number of total compensated weeks is estimated to be 14 million. AFDC and food stamp costs are projected to decline by $105 million and in fiscal year 1984 tax revenue will increase by approximately $105 million. Thus, over the period for fiscal year 1983 and 1984 the total cost of the provision to the unified budget is $1.4 billion.

The administration estimated that its job voucher proposal would cost between $150 and $650 million in fiscal year 1984.

The number of weeks of FSC for the week of February 12 is shown in the following table. The second column indicates the number of weeks under the current program while the third column illustrates the number of weeks under the administration proposal. The number of weeks depends upon the insured unemployment rate which is shown in column one. If these rates change, the number of weeks may also change.

NUMBER OF WEEKS OF FEDERAL SUPPLEMENTAL COMPENSATION UNDER CURRENT LAW AND ADMINISTRATION PROPOSAL BASED UPON INSURED UNEMPLOYMENT RATE FOR WEEK OF FEBRUARY 12, 1983

	13-week IUR	Current law	Proposal
Alabama	6.52	16	16
Alaska	8.55	16	16
Arizona	4.35	14	8
Arkansas	7.03	16	16
California	[1] 5.67	14	12
Colorado	3.94	10	8
Connecticut	4.01	10	8
Delaware	[1] 3.73	14	8
District of Columbia	3.88	10	8
Florida	2.55	8	8
Georgia	3.67	10	8
Hawaii	3.46	10	8
Idaho	8.05	16	16
Illinois	6.43	16	16
Indiana	5.77	14	12
Iowa	5.28	14	12
Kansas	4.45	14	8
Kentucky	6.99	16	16
Louisiana	5.77	14	12
Maine	5.57	14	12
Maryland	4.76	14	12
Massachusetts	4.55	14	12
Michigan	8.01	16	12
Minnesota	4.82	14	12
Mississippi	6.90	16	16
Missouri	4.97	14	12
Montana	6.09	16	16
Nebraska	3.64	10	8
Nevada	5.56	14	12
New Hampshire	3.34	8	8
New Jersey	4.98	14	12
New Mexico	4.53	14	12
New York	4.33	10	8
North Carolina	5.15	14	12
North Dakota	4.78	12	12
Ohio	[1] 6.59	16	16
Oklahoma	[1] 4.12	10	8
Oregon	7.44	16	16
Pennsylvania	8.06	16	16
Puerto Rico	8.67	13	13
Rhode Island	6.26	16	16
South Carolina	5.89	14	12
South Dakota	2.83	8	8

NUMBER OF WEEKS OF FEDERAL SUPPLEMENTAL COMPENSATION UNDER CURRENT LAW AND ADMINISTRATION PROPOSAL BASED UPON INSURED UNEMPLOYMENT RATE FOR WEEK OF FEBRUARY 12, 1983—Continued

	13-week IUR	Current law	Proposal
Tennessee	5.31	14	12
Texas	3.04	8	8
Utah	5.78	14	12
Vermont	6.03	16	16
Virginia	2.79	8	8
Virgin Islands	4.49	14	8
Washington	7.28	16	16
West Virginia	10.00	16	16
Wisconsin	7.08	16	16
Wyoming	5.51	12	12

[1] Trigger Indicator as of February 5, 1983.

Effective date:

April 1, 1983.

Permission for the States to use 2 percent of their current year unemployment tax revenue to fund retraining and relocation assistance.

Current law and background:

Under present law, two provisions essentially prohibit the use of money in the State accounts of the Unemployment Trust Fund for anything but cash unemployment compensation payments, except under certain very limited circumstances. Section 903(c)(1) of the Social Security Act states that "* * * amounts transferred to the account * * * shall be used only in the payment of cash benefits to individuals with respect to their unemployment * * *". Sec. 3304(a)(4) of the Federal Unemployment Tax Act says "all money withdrawn from the unemployment fund of the State shall be used solely in payment of unemployment compensation * * *".

Description of proposal:

The administration proposes to allow States to use 2 percent of their current year's unemployment tax revenue to fund retraining and relocation assistance for unemployment compensation claimants.

Impact:

The maximum amount available would be $374 million in fiscal year 1984. It is highly unlikely that all States would use the maximum amount.

Effective date:

Date of enactment.

Promotion of unemployment compensation for partially unemployed persons.

Current law and background:

Current law allows States to establish benefit formulas for the partially unemployed. Also, the Tax Equity and Fiscal Responsibility Act of 1982 required the Secretary of Labor to develop model "short-time compensation" legislation as one way to provide benefits for the partially unemployed.

Description of proposal:

The administration proposes to promote unemployment compensation for the partially unemployed, but it provided no details.

Exclusion of youth from Federal unemployment tax coverage who work under the proposed sub-minimum wage between May 1 and September 1 of each year.

Current law and background:

Current law generally covers youth much like any other worker with exceptions related to some student-interns and workers in certain seasonal camps.

Description of proposal:

The administration proposes to exempt youth from Federal unemployment tax coverage under its proposed sub-minimum wage of $2.50 per hour from May 1 to September 1 of each year. Details are unavailable.

Impact:

The impact of this provision upon the budget is negligible.

Effective date:

TRADE ADJUSTMENT ASSISTANCE

Worker Program

No reauthorization of program beyond its statutory termination date of September 30, 1983.

Current law and background:

Under the Trade Act of 1974 as amended, workers certified by the Secretary of Labor as eligible for trade adjustment assistance may receive weekly trade readjustment allowances (TRA) equal to their weekly unemployment compensation (UC) after they exhaust UC for up to a combined maximum of 52 weeks of UC and TRA. Workers enrolled in approved training, however, may receive up to an additional 26 weeks of TRA immediately following exhaustion of their regular TRA if they applied for training within 210 days after the later of the date on which they were certified for benefits or were laid off. Job search and relocation allowances are also available to qualified workers.

The administration's estimated funding levels for the current program are based on the following number of recipients and average level and duration of benefits:

CURRENT PROGRAM

Year	Outlays (millions)	Number of recipients (thousands)	Average weekly benefit	Weeks duration
1980	1,622	532	126	24
1981	1,440	281	140	37
1982	103	30	119	28
1983	54	31	125	14
1984	51	28	130	14
1985	51	26	135	15
1986	50	24	140	15
1987	49	22	145	16
1988	48	20	150	16

Note.—An additional $25 million is funded for training and job search and relocation allowances in fiscal year 1983.

Description of proposal:

The administration proposes no reauthorization of the program, which terminates by statute on September 30, 1983. The fiscal year 1984 budget request includes $2 million to cover obligations in 1984 for TRA benefits for weeks of unemployment that occurred prior to the expiration of the program.

Impact:

Since the program is being eliminated, the number of recipients affected by the proposal are those receiving benefits under current law and are shown in the above table for fiscal years 1984 to 1988.

The budget savings are $51, $51, and $50 million for fiscal years 1984, 1985 and 1986 respectively.

Effective date:

October 1, 1983.

Replacement of training, job search and relocation services.

The administration intends that the new "dislocated worker" State-administered program authorized under title III of the Job Training Partnership Act of 1982 (Public Law 97-300) become the vehicle for training, job search and relocation, and other adjustment measures for workers served under the trade adjustment assistance program. The administration requests $240 million for the program in fiscal year 1984 ($25 million is currently funded for fiscal year 1983) of which 75 percent would be allocated as block grants to States providing matching funds. The remaining reserve would be available to States by application for assistance to individuals affected by mass layoffs, natural disasters, Federal Government actions, or in areas of high unemployment. The fiscal year 1984 budget request is estimated to service 96,000 unemployed workers.

The administration also believes that extension of the Federal supplemental compensation (FSC) Program, as well as fiscal year 1984 budget proposals permitting States to use a portion of UC trust funds for training costs and providing job tax credit vouchers as a hiring incentive for employers in lieu of weekly FSC cash benefits, make extension of the trade adjustment assistance program unnecessary.

Firm Program

Deferral and transfer of fiscal year 1983 appropriations; no reauthorization of program beyond its statutory termination date of September 30, 1983.

Current law and background:

Under the Trade Act of 1974 as amended, firms certified eligible by the Secretary of Commerce for trade adjustment assistance may receive financial assistance (direct loans and/or loan guarantees) and/or technical assistance upon approval of an adjustment plan. Industry-wide technical assistance grants are also available.

Description of proposal:

The administration proposes that commitment of $20.1 million of the $27.5 million appropriated in fiscal year 1983 for the program be deferred and the funds transferred to the "Business Loans and Investment Fund" of the Small Business Administration. Under this request, the program would terminate on April 1, with obligation of the $7.4 million already committed, rather than on the statutory termination date of September 30, 1983.

Impact:

[Dollars in thousands]

	Fiscal year 1983 currently available
Direct loans	$8.246
Technical assistance	13.094
Loan guarantee authority [1]	8.246
Program operations [2]	1.922
Total	27.500

[1] Supports $28 million contingent liability with 90 percent guarantee.
[2] Supports 28 permanent staff positions.

AID TO FAMILIES WITH DEPENDENT CHILDREN

Require States to establish community work experience programs (CWEP) and mandatory job search.

Current law and background:

In 1981 and again in 1982 the administration proposed the enactment of legislation requiring States to establish community work experience programs (CWEP), under which AFDC recipients could be required to work in projects "which serve a useful public purpose" in exchange for their AFDC benefits. The Congress enacted legislation that made the program optional with the States, rather than mandatory.

The CWEP provision of the 1981 Omnibus Reconciliation Act specifies that community work experience programs must be designed to improve the employability of participants through actual work experience and training, and to enable individuals to move into regular employment. Participants may not be required to work in excess of the number of hours which, when multiplied by the greater of the Federal or the applicable State minimum wage, equals the sum of the amount of aid payable to the family.

The individuals who may be required to participate in a CWEP project are generally the same as those who must register for the work incentive (WIN) program. WIN requires the registration of all recipients unless they are: children under age 16 or in school full time; ill, incapacitated, or elderly; too far from a project to participate; needed at home to care for a person who is ill; a caretaker relative providing care on a substantially full-time basis for a child under age 6; employed at least 30 hours a week; or the parent of a child if the other parent is required to register (unless that parent has refused). CWEP also excludes individuals who are employed 80 hours a month and earning at least the applicable minimum wage. In addition, mothers with no children under age 3 (rather than age 6) may be required to participate in CWEP if day care is available and persons who are exempt from WIN because they live too far from a WIN project may be required to participate in CWEP.

States may receive 50 percent Federal matching for the costs of administering CWEP. However, these costs may not include the cost of materials or equipment, or the cost of supervision of work, and may include only such other costs as the Secretary of HHS permits.

As of February 1983, 25 States were operating or planned soon to begin operating CWEP's. They were Alabama, Arkansas, California, Colorado, Georgia, Idaho, Iowa, Kentucky, Michigan, Mississippi, New York, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Virginia, Washington, West Virginia, Kansas, Nebraska, New Mexico, Pennsylvania, and Vermont. In most of those States, the program is not operating statewide.

The AFDC job search provision of the 1982 Tax Equity and Fiscal Responsibility Act permits States to require AFDC applicants and recipients to participate in a program of employment search beginning at the time of application. States exercising this option may limit participation to certain groups or classes of individuals who

are required to register for WIN and the provision permits the State to shorten the duration of the sanction period.

Sanctions can be imposed if the recipient or applicant refuses to participate without good cause. In the case of the principal earner in an unemployed parent family, the sanction is the denial of benefits for the entire family. In other cases, the individual who refuses is removed from the grant and the family's benefit is reduced. The sanction period is 3 months in the case of a first refusal and 6 months in the case of any subsequent refusals. Transportation and other necessary costs incurred by participants must be paid and States receive 50 percent Federal matching funds for transportation and other services. An initial 8-week search period is allowed plus an additional 8-week period each year (which could add up to 16 weeks in the first year). States may not use the job search requirement as a reason for delaying eligibility determinations or making payments to those otherwise eligible.

Description of proposal:

The administration is again proposing that CWEP and job search be mandatory in all States, but the 1983 proposal is somewhat different from the previous two. The new proposal would require all employable recipients to participate in a CWEP, whereas prior proposals would have required States to provide CWEP's. Thus, in effect, the new proposal would require States to supply job slots for all employable recipients. All employable adult recipients would not only have to register with a work program but would be required to participate in job search and CWEP. Applicants would be required to look for jobs while their eligibility was being determined. For all but two-parent families, States could request waivers to substitute work supplementation or grant diversion (i.e., grants otherwise payable are pooled to provide wages for jobs that permit recipients to "transition" from welfare to work) for CWEP. Two-parent families (persons in the unemployed parent segment of the program) would be required to participate in CWEP.

Impact:

The administration and the Congressional Budget Office differ considerably in their estimates of the impact of this provision. The Congressional Budget Office estimates that this provision will save $118, $283, and $320 million for fiscal years 1984 to 1986 respectively. The administration estimates savings from the provision of $408, $729, and $729 million for fiscal years 1984 to 1986 respectively.

Effective date:

October 1, 1983.

Remove the parent/caretaker from the assistance unit for voluntarily quitting work, reducing earnings, refusing employment, or refusing a CWEP assignment.

Current law and background:

Current regulations provide sanctions (described briefly above) for AFDC recipients who are required to register for WIN if they

voluntarily quit work, reduce earnings, refuse employment, or refuse a CWEP assignment without good cause. Sanctions may not be applied in the case of persons who are not currently required to register, including persons who are employed 30 hours or more a week, or who live in an area so remote from a WIN program that their participation is precluded.

Description of proposal:

As in 1982, the administration is proposing to extend sanctions to these nonregistrants who are employed 30 hours or more a week, or who live in an area so remote from a WIN program that their participation is precluded.

Impact:

Both the administration and CBO estimate zero savings in fiscal year 1983 and $1 million in 1984 and future years.

Effective date:

October 1, 1983.

Work requirements: Age of dependent child.

Current law and background:

A parent or caretaker relative who is providing care on a substantially full-time basis for a child under age 6 is not required to register for work and training under the WIN program. Under the community work experience program (CWEP), States may require parents and caretaker relatives who are caring for a child between the ages of 3 and 6 to participate in CWEP, provided child care is available.

Description of proposal:

The option which a State now has under CWEP to require parents and caretaker relatives with a child between the ages of 3 and 6 to participate in work or training if child care is available would be extended to other kinds of employment or training activities.

Impact:

Again the Congressional Budget Office and the administration project different budget impacts. CBO projects savings of $1, $2, and $3 million for fiscal years 1984 to 1986 respectively. The administration projects savings of $3 million in 1984.

Effective date:

October 1, 1983.

Adjustment of shelter and utility costs for AFDC families that share households.

Current law and background:

The 1982 Tax Equity and Fiscal Responsibility Act allows States to adjust the AFDC benefit when the AFDC family shares a household with other individuals. (States cannot prorate in the case of an SSI recipient to whom a one-third benefit reduction applies.)

States are authorized to prorate, on a reasonable basis, the portion of the AFDC grant which the State designates for shelter and utilities. In States that elect this option, the States are free to design the method of proration and the circumstances in which proration is applied. The Secretary is authorized to prescribe broad guidelines for States which use this option.

Description of proposal:

As in 1982, the administration proposes to require that States adjust the portion of the AFDC grant paid for shelter, utilities and related needs where the assistance unit shares a household with other individuals. The adjustment would not take into consideration SSI recipients in the household whose benefits had been reduced by one-third because they were living in the household of another. For affected cases, the adjustment would apply to both the need and payment standards. The proration formula would take into account the number of persons in the assistance unit and the number of persons in the entire household.

Impact:

The Congressional Budget Office has estimated savings of $51, $87 and $93 million respectively for fiscal years 1984 to 1986. This estimate assumes that 20,000 AFDC families will lose eligibility for AFDC and medicaid as a result of this change. Nationally, approximately 16 percent of AFDC families have grandparents living with them. In the Southern States it is 30 percent.

Effective date

October 1, 1983.

End employable parent's benefit when youngest child reaches age 16.

Current law and background:

Current law permits the needs of a parent or caretaker relative to be considered so long as the youngest child is eligible for benefits. An amendment in the 1981 Reconciliation Act provided for ending a child's eligibility at age 18, or, at State option, age 19 if the child is in school and is expected to complete his course of study before his 19th birthday.

Description of proposal:

As in 1982, the administration is proposing to terminate eligibility for the parent or caretaker when the youngest child reaches age 16. The child's eligibility would continue, but the parent's income, after disregards, would be counted in determining the benefit. The determination of whether or not the parent or caretaker relative is employable would be made according to the rules requiring registration for the state's work related activities for AFDC recipients.

Impact:

The CBO estimates savings of $53, $62, and $67 million for fiscal years 1984 to 1986 respectively. An estimated 1,000 households would lose benefits altogether as a result of this change and 55,000

would receive reduced benefits. Those families who lose benefits altogether will often lose medicaid benefits. For families who experience reduced AFDC benefits, the average reduction per month is $62.

Effective date:

October 1, 1983.

End benefits based on employment-related absence.

Current law and background:

Under current law, if a parent leaves the home in order to look for or maintain employment elsewhere, the remaining members of the family may be eligible for AFDC assistance.

Description of proposal:

The proposed statutory change would prohibit AFDC payments in any case in which the sole reason for a parent's continued absence is employment-related activity.

Impact:

The CBO projects AFDC savings of $25 million which is the same as the administration's estimate.

Effective date:

October 1, 1983.

Include parents and minor siblings in the assistance unit.

Current law and background:

The AFDC statute does not provide a definition of what constitutes an AFDC family. Current law permits families to exclude a child from the assistance unit if that child has income which would reduce the amount of the family's benefit. In addition, under current law the income of parents of a minor child who lives with her parents and is herself the parent of a child is not counted in determining the eligibility and benefit of the grandchild.

Description of proposal:

The administration's proposal, which was also made in 1982, would require States to include in the assistance unit the parent and all minor siblings (with the exception of SSI recipients) living with a child who applies for or receives AFDC.

Impact:

The CBO estimates a cost of $29, $33, and $43 million for fiscal years 1984 to 1986 respectively. While this proposal reduces AFDC expenditures, food stamp and medicaid expenditures increase, offsetting the AFDC savings.

Effective date:

October 1, 1983.

CHILD SUPPORT ENFORCEMENT

Restructure Federal financing.

Current law and background:

Currently, AFDC recipients are required to assign all child support rights to the State. In general, all support collections received by the State are distributed between the State and Federal Government according to the State AFDC matching rate.

To encourage collections, States may retain 15 percent of the gross collections. This incentive payment to the State is deducted from the Federal share of the collection. In Fiscal Year 1984, the incentive rate will decrease to 12 percent.

Currently, the Federal Government funds 70 percent of the State's administrative expenses, and 90 percent of costs for automated data processing development.

Description of proposal:

Under the proposed change, program expenditures would be deducted from total collections. The resulting net collection or loss would be shared between the Federal and State government, according to the AFDC State matching rate.

Bonus payments would be allotted according to standards determined by the Secretary in the following three areas:

(1) child support collections for AFDC families;
(2) program cost effectiveness; and
(3) cost-avoidance program savings.

The standards for measuring performance in these three categories would be reviewed at least once every 2 years.

Funding for automated data processing systems would be authorized through project grants.

This proposed financing method would be phased in over 3 years to provide States a transition period.

Impact:

The CBO estimates savings of $30, $65, and $70 million for fiscal years 1984 to 1986 respectively.

Effective date:

October 1, 1983.

Mandate State laws.

Current law and background:

Current law does not require States to use a procedure for seeking wage assignments, administrative hearings or, in the case of States with State income tax systems, a system to intercept State income tax refunds for child support debts.

Description of proposal:

The administration's proposal would: (1) require States to use wage assignments to enforce past due child support orders; (2) require States to use administrative hearing processes for establishing and enforcing child support orders; and (3) require States with

State income tax systems to intercept income tax refunds for child support obligations.

Impact:

The CBO estimates savings of $10, $51 and $69 million for fiscal years 1984 to 1986 respectively.

Effective date:

October 1, 1983.

SUPPLEMENTAL SECURITY INCOME (SSI)

SSI disregard and cost-of-living adjustment.

Current law and background:

Under the SSI program, $20 of monthly income from virtually any source (such as social security benefits, but not need-tested income such as veterans' pensions) is disregarded.

SSI benefits are indexed to the Consumer Price Index (CPI). Cost-of-living increases are provided annually in July if the CPI for the first quarter of the calendar year increases by at least 3 percent over the first quarter of the previous year. Benefits are increased by the same percentage as social security benefits. This occurs through a reference in the SSI law to the social security cost-of-living provision.

Description of proposal:

The administration's proposal incorporates the National Commission on Social Security Reform's recommendation to increase the disregard from $20 to $50, limiting the additional $30 to OASDI benefits only, plus postpone the SSI cost-of-living adjustment (projected at $11 a month in the basic benefit) by 6 months from July 1, 1983, to January 1, 1984, as is also proposed for social security. The increase in the disregard would increase benefits for dual recipients of SSI and social security.

Impact:

According to the CBO, the proposal to raise the disregard in SSI from $20 to $50 for OASDI income will cause increased costs of $175, $575, and $645 million for fiscal years 1983 to 1985 respectively. Approximately 50 percent of SSI recipients have OASDI income and would benefit by the change by $30 per month. The proposal to delay the SSI COLA from July 1983 to January 1984 will reduce expenditures by $100, $115, and $145 million for fiscal years 1983 to 1985 respectively. Essentially all recipients would lose $11 per month for the 6 months from July 1983 to December 1983. This assumes a COLA adjustment of 4.1 percent under current law.

Effective date:

July 1, 1983.

Recovery of SSI overpayments.

Current law and background:

The Secretary is authorized to recover SSI overpayments by adjusting future payments, or by recovery from the recipient. Recovery of overpayments is to be made with a view to avoiding penalizing the individual who is without fault. Recovery of overpayments is not required, for example, if the individual is without fault and if recovery would defeat the purpose of the program, or be against equity or good conscience, or the amount to be recovered is so small as to impede efficient or effective administration.

Description of proposal:

As in 1982, the administration's proposal would allow recovery of SSI overpayments from benefits payable under other programs administered by the Social Security Administration (black lung and OASDI benefits).

Impact:

The CBO estimates reduced expenditures of $15, $16, and $17 million for fiscal years 1984 to 1986 respectively.

Effective date:

October 1, 1983.

Retroactive title II benefit adjustment due to SSI benefits.

Current law and background:

Public Law 96-265, the Social Security Disability Amendments of 1980, required the Secretary of Health and Human Services to offset, against retroactive benefits under OASDI, amounts of SSI benefits paid for the same period.

Description of proposal:

The administration has proposed a technical amendment which it says would more fully achieve the intent of the 1980 provision aimed at ensuring that an individual's entitlement under the OASDI and SSI programs would not result in windfall benefits.

Impact:

The Congressional Budget Office estimates savings of $22, $23, and $23 for fiscal years 1984 to 1986 respectively.

Effective date:

October 1, 1983.

These savings estimates also include the impact of two other proposals: The elimination of personalized denial notices in disability cases and the collection of interest on outstanding overpayments. The major portion of the savings is due to the provision described above.

CHILD WELFARE SERVICES

Consolidation of child welfare services and child welfare training.

Current law and background:

Under current law, funds under the child welfare services program go to the States on a formula basis, with a Federal matching rate of 75 percent. Child welfare training funds are awarded on a discretionary basis by the Administration for Children, Youth and Families in the DHHS. In the past, most training funds have been awarded to schools of social work to support students and develop curricula. In recent years some support has shifted to training activities in State child welfare agencies and other nonacademic settings, although a significant amount of training funds still go to social work schools.

Description of proposal:

The fiscal year 1984 budget proposes to merge the child welfare services and child welfare training programs into one formula grant to States, and cut total funding by $3.8 million, or the amount spent on training in fiscal year 1983. Under this proposal, the child welfare training program as it currently exists would be eliminated; States could use funds from the new combined authority to fund both services and training. There would be no further Federal discretionary training grants to social work schools or any other non-State entity.

Impact:

Relative to current law this proposal is expected to reduce Federal expenditures by $4 million in fiscal year 1984. The Congressional Budget Office has a baseline for child welfare services and training of $169, $177, $185, $194, and $202 million for fiscal years 1984 to 1988 respectively. Since the administration proposes to fund this program at $156 million, the savings relative to the CBO baseline is $13, $21, $29, $38, and $46 million for fiscal years 1984 to 1988 respectively.

Effective date:

October 1, 1983.

FOSTER CARE

Foster care cap made permanent with no increases.

Current law and background:

The foster care program (title IV-E of the Social Security Act) is an entitlement program; that is, every foster child who meets the eligibility requirements is entitled to payments, and Federal obligations are based on State claims under the program.

During fiscal years 1981-84, the Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) provided a State-by-State ceiling on Federal funds for foster care, but only when there were specified amounts appropriated for title IV-B child welfare services. A foster care ceiling was in effect in fiscal year 1981 because the $163

million appropriated for services was sufficient to trigger the mandatory ceiling. $266 million would have to be appropriated in advance for fiscal year 1984 to trigger a foster care ceiling. The $156 million appropriated for fiscal years 1982 and 1983 was not sufficient to trigger the ceiling. In years when there is a mandatory ceiling, States have the option to use a portion of their foster care funds for child welfare services. In years when there is not sufficient funds to trigger a ceiling, a State can opt for a voluntary ceiling to gain this flexibility. An estimated 25 States are opting for a ceiling in fiscal year 1983 and transferring $26 million from foster care to child welfare services. The foster care cap is indexed each year at an amount equal to twice the CPI but no more than 10 percent. This money can be transferred only if States have in effect a number of foster care protections described in the Adoption Assistance and Child Welfare Act, including an inventory of all children in the State in foster care, a case plan and case review system for all foster children, and the provision of preplacement preventive and reunification services to foster children. Thus, the transfer provision (as well as a number of other provisions in the act) is an incentive to States to put these foster care protections in place.

Description of proposal:

The fiscal year 1984 budget proposes to cap foster care at $440,170,000. (Fiscal year 1983 Federal spending under this program is expected to total $395 million.) Under this proposal, States would be entitled to Federal funding according to the amount each State received in fiscal year 1982 (based on claims made by December 31, 1983), but total Federal funding for the program would be permanently limited to $440,170,000. The other program authorized by title IV–E, the adoption assistance program, would not be affected by this proposal.

The foster care cap proposal in the fiscal year 1984 budget would not appear to alter the existing transfer provision; it specifies that funds distributed under the new formula could be used either for title IV–E (foster care) or for title IV–B (i.e., transferred), subject to the foster care protections being in place.

Therefore, the administration proposal would not appear to change any of the foster care incentives built into the Adoption Assistance and Child Welfare Act. Capping the foster care program, however, could eventually force the States to spend relatively more on foster care than under current law, to the extent that State foster care rates and/or caseloads rise.

Impact:

The Congressional Budget Office has a baseline expenditure path for foster care of $440, $480, $525, $573, and $627 million for fiscal years 1984 to 1988 respectively. Since the administration proposes to cap the funding for this program at $440 million per year, the savings are $0, $40, $85, $133, and $187 for fiscal years 1984 to 1988 respectively.

Effective date:

October 1, 1983.

SOCIAL SERVICES BLOCK GRANTS

Combine community services block grant with the social services block grant with no increase in funding.

Current law and background:

The social services block grant program, authorized by title XX of the Social Security Act, provides allotments to States according to their relative population size. States are free to design their own social services programs within broad Federal guidelines. General goals include economic self-support and the prevention or reduction of dependency. States determine their own eligibility criteria and program mix. The program is an appropriated entitlement with a nationwide ceiling; that is, States are entitled to receive their portion of the total amount appropriated up to a nationwide maximum. Current law provides that the ceiling is $2.45 billion in fiscal year 1983, $2.5 billion in fiscal year 1984, $2.6 billion in fiscal year 1985, and $2.7 billion in fiscal year 1986 and thereafter.

The community services block grant (CSBG) created in 1981, replaced programs formerly administered by the Community Services Administration (CSA), which itself succeeded the antipoverty agency, the Office of Economic Opportunity. States may use community services block grant funds for programs intended to prevent or reduce poverty and to encourage economic self-sufficiency. In the first year of CSGB, fiscal year 1982, States were required to pass through 90 percent of their block grant money to grantees who had formerly received funds from CSA. The same rule applies this year to most States. This program is under the jurisdiction of the Committee on Education and Labor.

Description of proposal:

The administration proposes to spend the full amount authorized in fiscal year 1984 for social services block grants. Two related programs would be terminated entirely under the administration's fiscal year 1984 budget request. The rationale for ending these two programs—the work incentive (WIN) program and the community services block grant (CSBG)—is that States may use their social services block grant funds to continue these activities if they wish. In fiscal year 1983, WIN is funded at $271 million and CSBG at $360.5 million.

Impact:

The CBO estimates that $337, $383, $401, $419, and $438 million for fiscal years 1984 to 1988 respectively will be saved as a result of combining these two block grants with no increase in funding above that authorized in the social services block grant. If one assumes these savings are split proportionately between the two block grants, the effective reduction in the social services block grant is $297, $334, $349, $363, and $377 million for fiscal years 1984 to 1988 respectively.

Effective date:

October 1, 1983.

LOW INCOME ENERGY ASSISTANCE

Reduction in funding and redirection of State allotments.

Current law and background:

The low-income energy assistance program (LIEAP) is authorized for fiscal year 1982, fiscal year 1983, and fiscal year 1984 in Public Law 97-35, the Omnibus Budget Reconciliation Act of 1981, at $1.875 billion for each fiscal year. The Federal Government distributes funds to the States and the States design and administer the assistance payments.

The act permits three basic types of energy-related aid. States can make payments to help households pay their fuel bills for either heating or cooling. They can use up to 15 percent of their allotments for low-cost weatherization. There are virtually no restrictions on the manner in which this assistance was provided (cash payments, vouchers, vendor lines of credit, and tax credits are the most common). Further, States are instructed to use a "reasonable" amount of their allotments to provide energy-related emergency assistance such as that given under the old CSA crisis intervention programs.

States set actual eligibility guidelines, but Federal funds can be used only to assist households with a categorically eligible member or with a household income below either 150 percent of poverty or 60 percent of a State's median income. Categorical eligibility is based on receipt of aid to families with dependent children (AFDC), food stamps, SSI, or veterans' pensions.

States are permitted to transfer up to 10 percent of their allotments into certain other block grant programs (social services block grant, maternal and child health services block grant, community service block grant, and preventive health block grant) and to carry forward into subsequent fiscal years up to 25 percent of the fiscal year 1982 funding.

Description of proposal:

The President's fiscal year 1984 budget recommends that funding for the low-income energy assistance program be reduced to $1.3 billion. This is the third consecutive year the President has proposed this funding level for the program. The fiscal year 1984 authorization for LIEAP is $1.875 billion and the fiscal year 1983 appropriation level is $1.975 billion.

The President's budget also proposed to transfer into LIEAP during fiscal year 1983 $11 million in unobligated balances from the Department of Housing and Urban Development (HUD) program of assistance for solar and conservation improvements (Solar Energy Bank). The administration argues that HUD's program essentially duplicates services provided by the low-income energy assistance program.

Impact:

According to administration estimates, budget authority would be reduced by $575 million for each fiscal year from 1984 to 1988. Outlays would be reduced by $492 million in fiscal year 1984, $539

million in fiscal year 1985, and $575 million for fiscal years 1986 to 1988.

The precise formula for allocating moneys to States is not available. However, budget documents claim that "Most Northeast and Northcentral States would be 'held-harmless' under the proposed formula revision; and the new formula would reflect the latest census data on low income households in cold States."

This also implies that other States would receive substantially fewer funds.

Effective date:

October 1, 1983.

MEDICARE

Establish prospective payment system for hospitals.

Summary

Current law and background:

Basic medicare reasonable cost reimbursement was modified last year in Public Law 97-248 (TEFRA) to provide: (1) expanded "section 223" reimbursement limits applying total (routine and ancillary costs) inpatient operating costs; and (2) new temporary growth rate targets (expiring after FY 1985) rising annually by 1 percentage point plus the increase in the "market basket" of goods and services purchased by hospitals.

TEFRA also directed the Secretary of HHS to develop and report on a system of prospective payment for hospitals.

Description of proposal:

Medicare payment for inpatient operating costs of hospitals would be determined in advance and made on a per case basis. A single amount would be paid for each type of case, identified by the "diagnosis-related group" (DRG) into which the case is classified.

The payment system would not apply to capital-related costs or to direct medical education costs, which would be separately reimbursed based on reasonable cost. Special provision would be made for indirect medical education costs. Psychiatric, pediatric, and long-term hospitals would initially be excluded, and the Secretary could provide exceptions and adjustments for hospitals that are sole community providers. Excluded hospitals would be reimbursed on the basis of the TEFRA growth rate target provisions, which would become permanent. (The section 223 reimbursement limitations would be repealed.)

Prospective Payment Amount

Current law and background:

Medicare payment amounts are retrospectively determined based upon a hospital's reasonable costs.

Description of proposal:

The Secretary would be required to prospectively determine a payment amount for each hospital discharge.

Hospital cases (discharges) would be classified into "diagnosis-related groups" (DRG's). There would be a separate payment for each of 467 DRG's.

The Secretary would be required to determine a national standard rate per discharge for each DRG.

The rate would be the product of: (1) an "appropriate standard cost level per discharge," as determined by the Secretary; and (2) an "appropriate weighting factor" for each DRG as determined by the Secretary.

(The weighting factors are designed to reflect the relative costliness of treating different types of medicare cases. A DRG that is 3.5 times as costly as the average medicare case would have a

weight of 3.5. If the average case was $3,000, this DRG would be $10,500.)

The national standard rate for each DRG would be derived from historical medicare cost data.

The rate would be updated to fiscal year 1983 by the estimated industry-wide actual increase in hospital costs.

The rate would be further updated to fiscal year 1984 by the increase in the market basket of goods and services purchased by hospitals.

(The increase for fiscal year 1984 is less than that assumed under the present law, which is the market basket increase plus one percentage point.)

Regional Wage Adjustment

Current law and background:

The Bureau of Labor Statistics adjustor for hospital wages is used under current section 223 limits to adjust for regional differences in hospital wage levels.

Description of proposal:

The national average rate per discharge would be adjusted for regional differences in hospital wage levels using the same Bureau of Labor Statistics adjustor as current law.

Annual Updates and Adjustments

Current law and background:

Not applicable.

Description of proposal:

The Secretary would be required to update annually the payment amounts to a level which he or she determined would be adequate compensation for efficiently and economically operated hospitals, taking into account changes in the hospital market basket of goods and services, productivity and technological and scientific advances.

The Secretary would be permitted to adjust payment amounts, from time to time, to take into account changes in DRG's, the proportion of costs attributable to wages, the types of costs subject to the system, regional differences in non-wage goods and services. Also, the Secretary would be authorized to establish payment amounts for new DRG's.

Atypical Cases/Outliers

Current law and background:

Not applicable.

Description of proposal:

The Secretary would be authorized to provide for additional payment amounts for cases which are extraordinarily costly to treat relative to other cases within the DRG. The proposal would allow the Secretary to provide additional payment amounts for any discharge whose length of stay exceeds by 30 or more days the mean

length of stay of the discharges in the DRG to which the discharge belongs.

It is the intention of the administration to pay for days in excess of the 30 days at a per diem rate. A per diem rate would be calculated for each DRG by dividing the DRG payment amount by the mean length of stay for the DRG. The administration proposes to reimburse 60 percent of that daily rate for each "outlier" day.

The provision is intended to be cost neutral. Additional amounts reimbursed for the outlier days would reduce the DRG payment level across the board.

Capital Expenses

Current law and background:

Medicare reimburses hospitals for the reasonable costs of capital (including depreciation, interest, and rent). In addition, proprietary hospitals receive a return on equity.

Description of proposal:

Capital would continue to be reimbursed on a reasonable cost basis. In addition, the return on equity would continue to be paid as under the current system.

The Secretary would be permitted to include in the prospective payment system, by regulation, at such time as he or she deemed appropriate, capital or other costs.

Medical Education Expenses

Current law and background:

Medicare reimburses both direct and indirect medical education expenses on the basis of reasonable cost.

Description of proposal:

The bill does not expressly exclude direct or indirect medical education costs from the prospective payment amount.

However, it is the intention of the administration to reimburse direct medical education expenses, such as salaries of interns and residents and an approved education program, on the basis of cost. Under the bill, the Secretary would be authorized to include costs such as direct medical education costs under the prospective payment system when he or she deemed appropriate.

It is the intention of the administration that the prospective payment amount would be increased to take into account indirect education costs. As under current section 223 limits, a "teaching adjustment" would be provided based upon the hospital's ratio of interns and residents to beds.

Exemptions

Current law and background:

Under TEFRA, section 223 limits do not apply to children's hospitals, long-term care hospitals or to rural hospitals with less than 50 beds.

Description of proposal:

The proposal would not apply to psychiatric, long-term care and children's hospitals, however, the Secretary would be authorized to provide for prospective payment for such hospitals at some time in the future, by regulation.

The Secretary would be authorized to provide for exceptions and adjustments to take into account the special needs of sole community providers.

Hospitals that are not included in the prospective payment proposal would be subject to the rate of increase provision similar to TEFRA, including the incentive payments, except that for hospital cost reporting periods ending before October 1, 1984, the rate of increase will be limited to marketbasket only. For hospital cost reporting periods beginning after September 30, 1984, the rate of increase would be market basket plus 1 percentage point.

Payments to HMO's and CMP's

Current law and background:

Current law provides that HMO's and CMP's may be reimbursed either on the basis of costs, or under a risk-based contract, a payment equal to 95 percent of the adjusted average per capita cost (AAPCC) for medicare enrollees, in the HMO's area.

Description of proposal:

The proposal would permit, at its election an HMO or a CMP that receives medicare payments on a risk-basis to choose to have the Secretary directly pay hospitals for inpatient hospital services furnished to medicare enrollees of the HMO or CMP. The payment amount would be at the DRG rate (or on the basis of reasonable cost, as applicable) and would be deducted from medicare payments to the HMO or CMP.

State Cost Control Systems

Current law and background:

The Secretary of HHS has authority to establish medicare demonstration projects. There are currently four State-wide medicare demonstrations (Maryland, New Jersey, New York, and Maine) and one area-wide (Rochester, N.Y.).

In addition, TEFRA authorizes the Secretary, at the request of a State, to pay under a hospital cost control system in the State if the system—

(1) applies to substantially all non-Federal hospitals;

(2) applies to at least 75 percent of inpatient revenues;

(3) treats payors, employees, and patients equitably; and

(4) will not result in greater medicare expenditures over a 3-year period than would otherwise have been made.

To date, no State systems have been approved under this authority.

Description of proposal:

The Secretary would be expressly authorized to continue to develop, carry out, or maintain medicare experiments and demonstration projects.

The authority under TEFRA would be repealed.

Administrative and Judicial Review

Current law and background:

A provider may request administrative review of a final decision of a fiscal intermediary by the Provider Reimbursement Review Board (PRRB).

A provider may appeal the PRRB decision to Federal court or, where it involves a question of law or regulation which the PRRB does not have the authority to review, the provider may appeal directly to Federal court.

Description of proposal:

No provision with respect to administrative review.

With respect to judicial review, payment amounts, exceptions, adjustments and rules established by the Secretary would not be appealable.

Beneficiary Hospital Inpatient Deductible and Coinsurance

Current law and background:

Medicare pays all reasonable expenses for the first 60 days of inpatient hospital care minus a deductible ($304 in 1983) in each benefit period. For days 61–90, a coinsurance amount ($76 in 1983) is also deducted.

Description of proposal:

Hospitals would be prohibited from charging beneficiaries amounts in excess of the statutory deductible and coinsurance. The prospective payment would be considered payment in full.

Impact:

The administration has declared that the DRG rates would be set in such a manner as not to increase outlays compared to current law.

According to CBO, medicare savings of $2.1, $4.0, and $4.5 billion would accrue if DRG rates were set to attain the reimbursement reduction achieved in the third year under TEFRA.

Effective date:

The proposal would be effective with individual hospital accounting years beginning on or after October 1, 1983. No other transitional arrangements are specified.

Reduce hospital cost target rate by one percentage point.

Current law and background:

Section 101 of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) established a 3-year (fiscal year 1983–86) target rate

reimbursement system for paying hospitals under medicare. By law, a hospital's operating costs per case may increase from year to year by the percentage increases in an index developed by the Health Care Financing Administration (designed to measure changes in the prices paid by hospitals for supplies and services), plus 1 percentage point. Hospitals with costs per case below the target rate are allowed to retain a portion of the savings. Hospitals with costs above the target amount are required to absorb most of all of the excess costs.

Description of proposal:

The administration proposes to hold the increase in the yearly limit (or target rate) to the hospital market basket index only, excluding the additional 1 percentage point. This change would remain in effect until superseded by the proposed prospective payment system.

Impact:

A preliminary CBO estimate projects decreased outlays of $80, $170, and $200 million for fiscal years 1984 to 1986 respectively as a result of this provision.

Effective date:

October 1, 1983.

Voluntary medicare voucher program.

Current law and background:

Under present law, medicare payments are made on behalf of beneficiaries through hospitals and other institutions who participate in the Government-sponsored program and through payment arrangements to or on behalf of beneficiaries in the case of physician and other medical services.

Description of proposal:

The administration proposes to establish a voluntary medicare voucher program under which beneficiaries could elect to receive services through a private health benefits plan (including certain health maintenance organizations) rather than through participation in medicare. Private plans would have to offer benefits at least equivalent to medicare.

The Government would contribute an amount equal to 95 percent of the average per-person cost of medicare coverage toward the purchase of private protection.

Impact:

The administration estimates increased medicare expenditures of $50 million for each year from fiscal year 1985 to 1988.

Effective date:

January 1, 1985.

Restructure beneficiary cost-sharing and provide coverage for unlimited hospital days.

Current law and background:

Under present law, medicare beneficiaries share in the costs of inpatient hospital and skilled nursing facility services. During each benefit period, the beneficiary must pay an inpatient hospital deductible (currently $304). If the beneficiary is hospitalized beyond 60 days during such period, he or she must pay an additional daily coinsurance amount equal to 25 percent of the inpatient hospital deductible (currently $76) for the 61st through 90th days. If the beneficiary uses any of the 60 lifetime reserve days he is required to pay a daily coinsurance amount equal to 50 percent of the inpatient hosptial deductible (currently $152). In addition, beneficiaries are required to pay a daily coinsurance amount equal to 12.5 percent of the inpatient hospital deductible (currently $38) for care provided from the 21st through the 100th day in a skilled nursing facility.

Description of proposal:

The administration's proposal would restructure the current inpatient hospital and skilled nursing facility patient cost sharing requirements as follows:

—Eliminate cost-sharing for any hospital days after 60 days in a benefit period.

—Impose a daily copayment equal to 8 percent of the inpatient deductible (estimated to be $28/day during calendar year 1984) from day 2 through day 15; and impose a daily copayment amount equal to 5 percent of the inpatient hospital deductible (estimated to be $17.50/day during calendar year 1984) from the 16th through 60th day of hospitalization in a benefit period.

—Limit the number of times a beneficiary must pay an inpatient hospital deductible to two each year.

—Reduce the skilled nursing facility daily copayment amount to 5 percent of the inpatient hospital deductible.

Impact:

According to the CBO, this provision will reduce medicare outlays by $900, $1,450, and $1,750 million for fiscal years 1984 to 1986 respectively. Approximately 25 percent of the beneficiaries will have increased cost-sharing averaging approximately $300 as a result of the provision. Less than 1 percent of the beneficiaries will be affected (experience reduction in cost-sharing) by the catastrophe provision. The average reduction is $5,000 to $6,000 for those affected by the catastrophe provision.

Effective date:

January 1, 1984.

Delay in initial eligibility date for medicare entitlements.

Current law and background:

Under current law, eligibility for medicare begins on the first day of the month in which an individual reaches age 65.

Description of proposal:

The administration proposes to delay eligibility for both parts A and B of medicare to the first day of the month following the individual's 65th birthday.

Impact:

The CBO estimates reduced medicare outlays of $135, $170, and $190 million for fiscal years 1984 to 1986 respectively for part A. The part B savings are estimated to be $65, $95, and $115 million for fiscal years 1984 to 1986 respectively. Approximately 1.7 million individuals will be impacted by the provision. It is unclear at whose expense these savings occur. It could be the beneficiaries or their employers or their private health insurance carriers.

Effective date:

October 1, 1983.

Eliminate mandatory utilization review.

Current law and background:

In the absence of a Professional Standards Review Organization (PSRO), hospitals and skilled nursing facilities are required to review admissions, duration of stay, and use of health facilities and services through utilization review committees within their own institutions.

Description of proposal:

The administration proposes to eliminate the requirement for utilization review in hospitals and skilled nursing facilities.

Impact:

CBO estimates that this provision will have negligible effect upon medicare outlays.

Effective date:

October 1, 1983.

Reduce reimbursement to home health agencies for durable medical equipment.

Current law and background:

Under present law, when covered durable medical equipment (e.g., crutches, wheelchairs) is furnished by a supplier of services, rather than by a provider, payment is made under the part B program on the basis of 80 percent of the reasonable charges (after the deductible is satisfied). If the equipment is furnished by a provider, such as a home health agency, payment is made on the basis of 100 percent of the reasonable cost of the rental or purchase of such equipment.

Description of proposal:

The administration proposal would reimburse home health agencies for durable medical equipment at 80 percent of reasonable cost

and permit the agencies to bill beneficiaries for the remaining 20 percent.

Impact:

This provision is expected to reduce medicare outlays by $15, $20, and $20 million for fiscal years 1984 to 1986 respectively.

Effective date:

October 1, 1983.

Competitive procurement of laboratory services, durable medical equipment and other medical supplies.

Current law and background:

Under medicare, it is generally the physician or retail supplier who selects the source of services and equipment required by a beneficiary.

Description of proposal:

The administration proposes to employ competitive purchasing procedures for the procurement of laboratory services, durable medical equipment and other medical supplies. The proposal will include safeguards to assure beneficiary access to needed equipment and services. It will also limit beneficiary out-of-pocket expenditures to required coinsurance and deductible payments; where appropriate, beneficiary cost-sharing would be waived.

Impact:

This provision according to CBO will reduce medicare part B expenditures by $9, $14, and $20 million for fiscal years 1984 to 1986 respectively.

Effective date:

October 1, 1983.

Eliminate waiver of provider liability for uncovered services.

Current law and background:

Under present law, medicare pays hospitals and skilled nursing homes for certain uncovered or medically unnecessary care furnished beneficiaries, if the hospitals or skilled nursing facilities could not have known that payment would be disallowed. The institutions are not held liable for the costs of these services, if their total denial rate on medicare claims remains below certain prescribed levels.

Description of proposal:

The administration proposes to eliminate this waiver of liability provision for providers. The proposal would not affect current statutory provisions which protect beneficiaries from financial liability for expenses for uncovered services.

Impact:

This provision according to CBO will have negligible impact on medicare outlays.

Effective date:

October 1, 1983.

Freeze reasonable charges for physician services.

Current law and background:

Under present law, medicare pays physicians on the basis of medicare-determined "reasonable charges" for services provided to beneficiaries. "Reasonable charges" are the lesser of: a physician's actual charges, the customary charges made by an individual physician for specific services, or the prevailing level of charges made by other physicians for specific services in a geographic area. The amounts recognized by medicare as customary and prevailing charges are updated annually (on July 1) to reflect changes in physician charging practices. Increases in prevailing charge levels are further limited by an economic index which reflects changes in the operating expenses of physicians and in general earnings levels.

Description of proposal:

The Administration proposes to postpone the annual updating of both the customary and prevailing charge limits for physicians services that would otherwise occur on July 1, 1983, through June 30, 1984, the limits would remain at their current levels.

Impact:

This proposal is expected to reduce medicare outlays by $50, $900, $1,050, and $1,200 million for fiscal years 1983 to 1986 respectively. The impact upon beneficiaries is difficult to ascertain. Some beneficiaries will experience smaller co-payments as a result of the freeze. Other beneficiaries will experience cost increases as a result of fewer doctors taking assignment and physicians charging patients more as a result of the freeze.

Effective date:

July 1, 1983, through June 30, 1984.

Modify timing and rate of increase in part B premium.

Current law and background:

Under present law, the Secretary of Health and Human Services is required to calculate each December the increase in premiums of those who elect to enroll in the supplementary medical insurance (or part B) portion of the medicare program. The new premium rates are effective on July 1 of the year following the year in which the calculation was made. Ordinarily, the new premium rate is the lower of: (1) an amount sufficient to cover one-half of the costs of the program for the aged or (2) the current premium amount increased by the percentage by which cash benefits are increased under the cost-of-living (COLA) provisions of the social security programs. Premium income, which originally financed half of the costs

of part B, has declined—as the result of this formula—to less than 25 percent of total program income. Section 124 of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), however, temporarily suspended the limitation for two 1-year periods, beginning on July 1, 1983. During these periods, enrollee premiums will be allowed to increase to amounts necessary to produce premium income equal to 25 percent of program costs for elderly enrollees. The limitation would again apply with respect to periods beginning July 1, 1985, and thereafter.

Description of proposal:

The administration proposes to postpone the scheduled July 1, 1983, increase in the monthly part B premium rate (from the current $12.20 to $13.50) to January 1, 1984, to coincide with a proposed delay in the cost-of-living increase in social security cash benefit payments. For calendar year 1984, the premium would be allowed to increase to the TEFRA-defined level of 25 percent of part B program costs for the elderly. Beginning in 1985, the premium would be allowed to increase by no more than 2½ percentage points per year so that by calendar year 1988, the premium would be set at a rate equal to 35 percent of the costs of the program for the aged.

Impact:

The CBO estimates increased premiums by medicare part B enrollees of $223, $1,313, $2,752 and $4,538 million for fiscal years 1985 through 1988 respectively. SMI premiums would be reduced by $114 million in fiscal year 1983 and by $245 million in fiscal year 1984. The increase in the January 1, 1986, premium is estimated to be $6.90 if the other SMI proposals are not enacted and $5.80 assuming the other proposals are enacted. The administration estimates of the premium increase are shown in the table below:

PREMIUM AMOUNTS UNDER CURRENT AND PROPOSED LAW

	1983	1984	1985	1986	1987	1988
Current law (July 1)	$12.20	$13.50	$15.90	$16.70	$17.40	$18.20
Proposed premiums (January 1):						
With other medicare proposals	12.20	14.20	17.80	21.70	26.30	31.60
Without other medicare proposals	12.20	14.80	18.60	22.80	27.60	33.30

Effective date:

July 1, 1983.

Index part B deductible.

Current law and background:

By law, enrollees in the supplementary medical insurance (or part B) portion of medicare must put the first $75 of covered expenses (known as the deductible) each year before any benefits are paid. The amount of this deductible is fixed by law.

Description of proposal:

The administration proposes, beginning in calendar year 1984, to increase the part B deductible by the same percentage as the increase in the medicare economic index. (This is the index used to set limits on increases in prevailing charges for physician services.)

Impact:

This proposal will reduce part B expenditures by $50, $115, and $180 million for fiscal years 1984 to 1986 respectively. Approximately 65 percent of the beneficiaries will experience an increase in their deductible for an average increase of $8.00 in calendar year 1985.

Effective date:

January 1, 1984.

Elimination of end stage renal disease (ESRD) networks.

Current law and background:

Current law requires the establishment of renal disease network areas and network organizations. Each organization is composed of a coordinating council, executive committee of the council, and a medical review board. Networks provide advice to health care review and planning organizations on the quality of services given ESRD patients and the need for ESRD services and facilities. The networks are also responsible for encouraging the placement of patients in the most appropriate and least costly treatment settings.

Description of proposal:

The administration proposes elimination of the ESRD program networks.

Impact:

This provision according to CBO will have negligible impact on medicare outlays.

Effective date:

October 1, 1983.

Railroad Retirement Board claims.

Current law and background:

The Railroad Retirement Board is required to contract with a carrier or carriers to handle medicare part B payments with respect to railroad retirement beneficiaries. The Board has contracted with Travelers Insurance Co. to serve as a carrier nationwide; in contrast, other medicare carriers serve smaller geographic areas.

Description of proposal:

The administration proposes to repeal the provision under which the Railroad Retirement Board chooses the part B carrier for railroad beneficiaries.

Intermediary payments.

Current law and background:

Under medicare, intermediary payments for services rendered to a beneficiary in more than one hospital during a benefit period are made in the order the services are rendered.

Description of proposal:

The administration proposes to require that intermediary payments be made in the order bills are received from the hospitals.

Impact:

This provision according to CBO will have negligible impact on medicare outlays.

Effective date:

October 1, 1983.

Program management proposals.

The administration proposes several medicare and medicaid related budget initiatives whose savings are included in the program management portion of the budget. These will result in an estimated no outlay reduction from fiscal years 1983 to 1984 of $9 million.

a. *Professional Standards Review Organization (PSRO's)/Peer Organization (PRO's) Activity.*—The administration requests no funds for the activities of PSRO's and PRO's. These organizations have been charged with certain utilization and quality control peer review of services under medicare and medicaid. The administration estimates that this proposal will reduce outlays by $50 million from fiscal years 1983 to 1984.

b. *Research, Demonstrations and Evaluation.*—The administration proposes to retain the fiscal year 1983 funding level of $30 million for fiscal year 1984.

c. *Medicare Contractors.*—The administration proposes an increase of $17 million above the fiscal year 1983 funding level for the administration of the medicare program through private contractors.

d. *State Certification.*—The administration proposes a $1 million net reduction in outlays from the fiscal year 1983 level for State certification activities. This represents a $5 million increase for medicare and a $6 million decrease for medicaid.

e. *ESRD Network Coordinating Councils.*—The administration requests no funding for the activities of end stage renal disease (ESRD) network coordinating councils. The administration estimates that this will result in an estimated outlay reduction of $5 million from fiscal years 1983 to 1984.

f. *Administrative Cost.*—The administration requests a $7 million increase over the fiscal year 1983 level for administrative costs for

medicare and medicaid. A reduction of 256 full-time equivalent positions for the Health Care Financing Administration is proposed.

PART III

Description of Administration's Revenue Proposals

TAX PROPOSALS RELATING TO SOCIAL SECURITY [1]

Expansion of social security coverage.

Current law and background:

Under present law, (1) Federal civilian employees, (2) employees of State and local governments, and (3) employees of religious, charitable, educational, and certain other tax-exempt organizations are exempt from mandatory social security coverage. However, effective on January 1, 1983, Federal civilian employees became subject to the medicare tax (Hospital Insurance Trust Fund) of 1.3 percent.

Employees of a State or local government may be covered under social security to the extent provided by voluntary agreements entered into by the State with the Secretary of Health and Human Services. A State may terminate a coverage agreement by giving 2 years advance notice to terminate, if the coverage agreement has been in effect for at least 5 years at the time the notice is given.

A tax-exempt organization generally may waive the exemption from mandatory social security coverage for services performed by its employees.

Description of proposal:

Under the administration proposal, mandatory social security coverage would be extended to all new Federal civilian employees and to employees of tax-exempt organizations effective January 1, 1984. State and local governments currently participating in the social security system would no longer be allowed to terminate a coverage agreement.

Impact:

According to estimates from the Social Security actuary the coverage of new Federal employees will generate $9.3 billion to the OASDI trust funds from calendar year 1984 to 1989. The coverage of non-profit employees is estimated to generate $12.5 billion over the same time period. Depending upon how the supplemental pension plan for new Federal hires is structured will determine the amount of unified budget savings from the coverage of new Federal hires. The coverage nonprofit employees translates into budgetary deficit reduction.

In addition, the provision which prohibits State and local government terminations is expected to result in $3.2 billion of additional revenue to the Social Security trust funds over this time frame.

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[1] These social security tax proposals are the same as recommended in the report by the majority of the National Commission on Social Security Reform.

Effective date:

The provisions are effective for January 1, 1984. The provision which prohibits terminations is effective for all notice of withdrawals filed on or after January 1, 1981.

Acceleration of increases in OASDI payroll tax rate.

Current law and background:

The Federal Insurance Contributions Act (FICA) imposes two taxes—old age, survivors, and disability insurance (OASDI), and hospital insurance (HI)—on employees and employers. The current OASDI rate is 5.4 percent (a combined employee and employer rate of 10.8 percent). This rate is scheduled to increase to 5.7 percent (a combined rate of 11.4 percent) in 1985 and to 6.2 percent (a combined rate of 12.4 percent) in 1990.

Under present law, employees do not receive an income tax credit for OASDI taxes paid.

Description of proposal:

The administration proposal would accelerate to 1984 the scheduled OASDI rate increases for 1985, and would increase the scheduled OASDI rate for 1988 and 1989. The rate increases would apply both to employee and employer OASDI taxes, but not to HI taxes.

Under the proposal, the OASDI rate would be increased from the current 5.4 percent (a combined rate of 10.8 percent) to 5.7 percent (a combined rate of 11.4 percent) with respect to wages received during calendar years 1984 through 1987. The OASDI rate would be increased further to 6.06 percent (a combined rate of 12.12 percent) with respect to wages received during calendar years 1988 and 1989 and 6.2 percent (a combined rate of 12.4 percent) with respect to wages received after December 31, 1989.

For 1984, employees would receive a refundable tax credit equal to the 1984 increase in OASDI tax rates (*i.e.,* 0.3 percent of includible wages).

Impact:

According to CBO, the acceleration of increases in the OASDI payroll tax will generate $6.4 billion, $2.4 and $10.4 billion for fiscal years 1984, 1985, and 1988 respectively. The unified budget impact of these changes is $6.4 billion, −$2.0, and $10.3 billion for fiscal years 1984, 1985 and 1988 respectively.

Effective date:

January 1, 1984.

Self-employment OASDI tax rate increases.

Current law and background:

The Self-Employment Contributions Act imposes two taxes (OASDI and HI) on self-employed individuals. The current OASDI rate for self-employed individuals is 8.05 percent. This rate is scheduled to increase to 8.55 percent in 1985.

Under present law, self-employed individuals do not receive an income tax deduction for self-employed OASDI taxes paid.

Description of proposal:

Under the administration proposal, the OASDI rate for self-employed individuals would be equal to the combined employer-employee OASDI rate, beginning in 1984. Thus, the self-employed OASDI rate would be 11.4 percent for taxable years beginning after December 31, 1983, and before January 1, 1988. The tax rate would be 12.12 percent for taxable years beginning after December 31, 1987, and before January 1, 1990. Finally, for taxable years beginning after December 31, 1989, the rate would be 12.4 percent.

Under the proposal, self-employed individuals would be permitted to deduct for income tax purposes an amount equal to 50 percent of self-employment OASDI taxes paid. This deduction would be allowed in computing adjusted gross income.

Impact:

According to the CBO, the self-employment tax rate increases will generate additional income to the trust funds of $1.1, $3.0, $2.9, and $3.1 billion for fiscal years 1984 to 1987 respectively. Because of the deduction, the impact upon the unified budget deficit is less. The additional revenues on a unified basis are $0.5, $1.5, $1.4 and $1.5 billion respectively for fiscal years 1984 to 1987 respectively. Approximately 7.5 million self-employed individuals will be affected by the proposal with an average tax increase of $250 for calendar year 1984.

Effective date:

January 1, 1984.

Taxation of social security benefits.

Current Law and background:

Under a series of rulings in 1938 and 1941 by the Internal Revenue Service, social security benefits are excluded from gross income for purposes of the income tax.

Description of proposal:

Under the administration proposal, one-half of an individual's social security benefit would be included in adjusted gross income if other adjusted gross income exceeds the base amount. The base amount would be $25,000 in the case of married couples filing a joint return and $20,000 in the case of a single taxpayer.

Impact:

The proposal would affect 2.447 million returns or approximately 7 percent of OASDI beneficiaries. The average tax increase is $840 per household (1981 dollars). The distribution by income class is shown in the table below. The proposal would increase tax revenues by $1.2, $4.2, and $4.9 billion for calendar years 1984, 1985, and 1986 respectively.

TAXATION OF OASDI BENEFITS

[1981 levels of income]

Expanded income plus OASDI	Returns affected (thousands)	Average tax change	Aggregate tax change (millions)	Tax change as a percent of social security	Tax change as a percent of all social security	Tax change as a percent of after-tax income
Up to $5,000	0	0	0	0	0	0
$5,000 to $10,000	0	0	0	0	0	0
$10,000 to $15,000	0	0	0	0	0	0
$15,000 to $20,000	0	0	0	0	0	0
$20,000 to $30,000	305	$548	$167	12.6	1.0	2.1
$30,000 to $50,000	1,367	725	992	13.1	10.3	1.9
$50,000 to $100,000	596	1,100	655	17.8	17.7	1.8
$100,000 to $200,000	143	1,338	192	20.4	20.3	1.2
$200,000 or over	36	1,371	49	21.2	21.2	0.4
Total	2,447	840	2,055	14.9	1.4	1.7

Effective date:

January 1, 1984.

EXCLUSION FOR EMPLOYER-PROVIDED HEALTH INSURANCE PREMIUMS

Current law and background:

Under present law, employer contributions to accident or health plans to compensate employees for personal injuries or sickness (through insurance or otherwise) are excluded from an employee's gross income. Amounts paid to or on behalf of an employee under an employer's accident or health plan to reimburse the employee for expenses incurred for medical care (including medical care provided the employee's spouse or dependents) also are generally excluded from the employee's income.

Under present law, employer contributions to accident or health plans for employees, and payments made to employees under such plans, generally are not subject to social security taxes.

Description of proposal:

Under the administration proposal, for taxable years beginning after December 31, 1983, employer contributions to accident or health plans for an employee would be included in the employee's income to the extent they exceed (1) $175 per month ($2,100 per year) if the plan covers the employee and his family, or (2) $70 per month ($840 per year) if the plan covers only the employee. The $175 and $70 amounts would be indexed to increase with inflation.

Amounts included in the employee's income under the proposal would also be subject to social security taxes.

There would be a transition rule to exempt premiums paid under collective bargaining agreements signed before January 31, 1983.

Impact:

The CBO and the administration both estimate that this proposal would result in $1.7 billion in additional income tax revenue and $0.6 billion in additional payroll tax revenue in 1984, rising to $10.7 billion from both sources combined by 1988. The estimate includes the effects of temporarily exempting union contracts, which reduces income tax revenue by $0.4 billion and payroll tax revenue by $0.1 billion in 1984. These estimates assume adoption of the recommendations of the National Commission on Social Security Reform; payroll tax revenue would be about $30 million lower in the absence of this assumption.

Taxing employer-paid health insurance premiums as proposed would affect about 20 percent of all households in 1984, if there were no exemptions. The delayed coverage of union contracts would reduce the number of households affected in that year, but an increasing percentage of households would be affected in years after that, because premiums are expected to rise more rapidly than the ceiling. In 1984, affected households with incomes between $10,001 and $15,000 would pay an average of $193 in additional taxes, and affected households with incomes between $50,001 and $100,000 would pay $371.

Effective date:

January 1, 1984.

CONTINGENT TAXES: OIL EXCISE TAX AND INCOME TAX SURCHARGE

Current law and background:

Present law imposes several excise taxes on petroleum and petroleum products, the revenues from which are dedicated to various trust funds. Gasoline, diesel fuel and other motor fuels are taxed at 4 cents per gallon (9 cents, beginning April 1, 1983), and revenues are transferred principally to the Highway Trust Fund. Gasoline and nongasoline fuels used in noncommercial aviation are taxed at 12 and 14 cents per gallon, respectively, and revenues are transferred to the Airport and Airway Trust Fund. Crude oil is taxed at 0.79 cents per barrel, and revenues are transferred to the Hazardous Substance Response Trust Fund. Diesel fuel and other liquid fuels used for commercial cargo vessels on inland or intracoastal waterways are taxed at 6 cents per gallon (8 cents, beginning October 1, 1983, and 10 cents, beginning October 1, 1985). Revenues from this tax are transferred to the Inland Waterways Trust Fund.

Under the Trade Expansion Act of 1962, the President can impose oil import fees or other import restrictions if he finds that imports threaten the nation's security. Congress may roll back the fees by passing a joint resolution of disapproval. This resolution can be vetoed by the President, in which case the fees would continue unless the veto is overridden by a two-thirds vote of both Houses of Congress. (The presidential import fee authority was used by Presidents Nixon, Ford and Carter.) Nominal oil import duties are now in effect; these duties were not imposed under this authority.

Present law makes no provision for contingent income tax surcharges.

Description of proposal:

The administration proposes two new contingent taxes. The first is an excise tax on oil, both domestically produced and imported, that would be designed to raise revenues of about $5 per barrel. The second is a surcharge on individuals and corporations approximately equivalent to 1 percent of taxable income. This tax could be structured as a 1-percent tax on taxable income or as a 5-percent surtax on taxes paid.

Both contingent taxes would become effective only if three conditions are met: (1) Congress adopts the administration's spending reductions and structural changes of federal entitlement programs, (2) the administration forecasts on July 1, 1985, that the fiscal year 1986 unified budget deficit will exceed 2½ percent of the gross national product, and (3) the economy is growing on July 1, 1985.

The administration proposes that these contingency taxes be enacted in 1983. They would be effective on October 1, 1985, and would last for up to 3 years.

Impact:

These proposals are estimated by the administration to increase revenues by $46.0, $49.0, and $51.4 billion for fiscal years 1986 to 1988 respectively. The CBO estimates are $37.1, $39.4, and $40.9 billion respectively. They would affect all taxpayers.

Effective date:

October 1, 1985.

EDUCATION SAVINGS ACCOUNTS

Current law and background:

Under present law, there is no general provision which permits deductions for amounts contributed to a trust to pay education expenses of the taxpayer or a child of the taxpayer or for income from assets in such a trust. However, certain types of "job-related" education expenses may be deducted as ordinary and necessary business expenses. Under existing law, parents can also use trusts or gifts to minors to set up savings accounts in their children's names.

Description of proposal:

The administration proposal would create a permanent tax exclusion for all interest and dividends earned on amounts deposited in qualified education savings accounts, after December 31, 1983, provided the deposits are used for eligible education expenses. If amounts are withdrawn from the account and not applied to eligible education expenses, the tax otherwise due on the earnings will be recaptured and a penalty tax generally will be imposed.

In general, eligible education expenses are tuition and room and board incurred on behalf of a full-time undergraduate student and paid directly to a university or college. However, amounts paid to schools that follow a racially discriminatory policy will not be

treated as eligible expenses. Certain reporting obligations would be imposed on the financial institutions maintaining the accounts and the colleges or universities receiving withdrawals from such accounts.

Deposits to these accounts are subject to a number of limitations. First, under the proposal, the maximum annual contribution to a qualified education savings account would be $1,000 per child. However, the $1,000 limit would be reduced by 5 percent of the amount by which the taxpayer's adjusted gross income exceeds $40,000. Thus, no contribution could be made by a taxpayer whose adjusted gross income exceeds $60,000. Second, no contribution may be made on behalf of a child over the age of 18, and in no case may an account be maintained for a child over the age of 25.

Impact:

This proposal is expected to reduce revenues by less than $50 million in fiscal year 1984 and by $100 and $200 million for fiscal years 1985 and 1986 respectively. Approximately 2 million filers would be expected to take advantage of this provision in calendar year 1984 for an average reduction in tax liability of $38 (assuming the deposit of funds at the beginning of the year).

Effective date:

January 1, 1984.

TUITION TAX CREDITS

Current law and background:

Present law provides no tax credit or deduction for personal educational expenses. However, certain types of "job-related" education expenses may be deducted as ordinary and necessary business expenses.

Description of proposal:

The administration proposal would provide a nonrefundable tax credit for 50 percent of certain tuition expenses paid to private elementary and secondary schools for qualified dependents of the taxpayer. The maximum credit would be $100 in 1983, $200 in 1984, and $300 in 1985 and subsequent years. Additionally, the maximum credit would be phased down for taxpayers with adjusted gross incomes greater than $40,000, with no credit being allowed to taxpayers with adjusted gross incomes in excess of $60,000.

For tuition expenses to be creditable, a school could not follow a racially discriminatory policy. An eligible school would be required to include a statement of its nondiscriminatory policy in any published by-laws, admissions materials, and advertising and to file annually with the Treasury Department a statement that it has not followed a racially discriminatory policy. Generally, a copy of this statement would have to be furnished to each individual who pays tuition to the school and would have to be attached to any return on which credits were claimed. In addition, the proposal would disallow credits for payments to any school found to be following a racially discriminatory policy in a declaratory judgment action brought by the Attorney General.

Impact:

This proposal is expected to reduce revenues by $200, $500, and $800 million for fiscal years 1984 to 1986 respectively. Approximately 2.4 million filers would be expected to be affected by this provision in fiscal year 1984 and have an average reduced tax liability of about $200.

Effective date:

This proposal would be effective for expenses incurred after July 31, 1983.

CARIBBEAN BASIN INITIATIVE

Current law and background:

Rum excise tax payments to Puerto Rico and the Virgin Islands.—The United States imposes excise taxes of $10.50 per proof gallon on all distilled spirits, including rum, manufactured in or brought into the United States. The excise taxes paid on rum made in Puerto Rico and the U.S. Virgin Islands and brought into the United States are transferred to the Treasury of the island where the rum was made.

Caribbean conventions.—The Internal Revenue Code generally disallows deductions for business expenses incurred while attending a convention held outside the North American area (the United States, the U.S. possessions, the Trust Territory of the Pacific Islands, Canada and Mexico). Deductions for attending conventions held outside the North American area are allowable only if the taxpayer can show that it was as reasonable to hold the convention outside the North American area as within it. Business expense deductions of up to $2,000 per individual are allowable for conventions held on U.S.-flag cruise ships that call on ports only in the United States and the U.S. possessions. The income tax treaty with Jamaica allows business expense deductions for attending conventions held in Jamaica.

Description of proposal:

The adminstration's Caribbean Basin Initiative, as included in the fiscal year 1984 budget document, includes both tax and nontax proposals. This summary describes only the tax proposals.

Rum excise tax payments to Puerto Rico and the Virgin Islands.—The administration proposal would require that all excise taxes collected on foreign rum brought into the United States (whether or not from Caribbean countries) would be transferred to the Treasuries of Puerto Rico and the Virgin Islands. The Secretary of the Treasury would prescribe a formula for allocating these taxes between Puerto Rico and the Virgin Islands. This provision would apply to rum imported into the United States on or after April 1, 1983.

Caribbean conventions.—The administration proposal would allow business expense deductions for attending conventions held in certain Caribbean countries. Such treatment would apply only for a Caribbean country that met certain criteria.

First, the country would have to be a "beneficiary country" as defined in the trade portion of the Caribbean Basin Initiative proposal. That is, it would have to be among the 28 Caribbean Basin countries listed in section 102(b) of H.R. 7397 (as it passed the House of Representatives in 1982) and it would have to be designated by the President as a beneficiary country. In addition, a deduction would be provided for conventions held in Bermuda provided that Bermuda met the other criteria.

Second, the country would have to enter into an executive agreement with the United States to provide for the exchange of tax information. The agreement would be negotiated by the Secretary of the Treasury. It would provide, on a reciprocal basis, for information relating to U.S. tax matters to be made available to U.S. tax officials. The agreement would have to apply to both civil and criminal tax matters. It would have to override any local rules requiring secrecy about the ownership of bank accounts or bearer shares. The agreement would impose on the officials of each country a duty not to disclose this information other than to those involved in its tax administration.

Third, no deduction would be available for attending a convention in a country found by the Secretary of the Treasury to discriminate in its tax laws against conventions held in the United States.

Impact:

This provision is expected to result in reduced revenues of $50 million or less for fiscal years 1983 to 1986.

Effective date:

This provision would apply to conventions beginning after December 31, 1982, but only if an exchange of information agreement were in effect on the day the convention began.

ENTERPRISE ZONE TAX INCENTIVES

Current law and background:

Under present law, the only tax incentive for the redevelopment of economically distressed areas is a relaxation of limitations on tax-exempt financing for facilities receiving assistance under the urban development action grant (UDAG) program and the targeted area rules for mortgage subsidy bonds.

Description of proposal:

The administration proposes that beginning in 1983 up to 25 small areas per year (not to exceed 75 in total), be designated "enterprise zones." Effective January 1, 1984, the following tax incentives would be available for economic redevelopment in the zones: an exemption from tax of capital gains on certain qualified property, a tax credit for employees equal to 5 percent of the first $10,500 of wages earned, a tax credit for employers equal to 10 percent of any increases in their payrolls (up to $1,750 per employee) a separate tax credit for employers of certain disadvantaged individuals equal to 50 percent of the wages of such persons for the first 3 years of employment (the percentage declines by 10 points in the

fourth year and each year thereafter), an increase of 50 percent in the regular investment tax credit for investment in equipment, a 10-percent investment tax credit for new construction and reconstruction of buildings, and continued availability of tax-exempt bond financing beyond the 1986 sunset date for small issue bonds. These incentives generally would remain fully in effect for 20 years and would be phased out over the succeeding 4 years. (An enterprise zone could be designated for a period of less than 20 years.)

Impact:

The administration expects this provision to result in reduced revenues of $100, $400 and $800 million for fiscal years 1984 to 1985 respectively.

Effective date:

January 1, 1984.

JOBS TAX CREDIT FOR THE LONG-TERM UNEMPLOYED

Current law and background:

Under present law, the targeted jobs credit is available to employers for a portion of wages paid to members of nine target groups of individuals. All groups are defined with reference to low family income, receipt of means-tested transfer payments, of disability.

Description of proposal:

The administration proposes a 6-month extension and modification of the Federal supplemental compensation program with an option for recipients to receive assistance in securing work through a system of tax credits to employers. To be qualified, individuals must have exhausted their regular, and, where available, extended unemployment insurance benefits.

Effective April 1, 1983, individuals who meet the eligibility requirements for the additional unemployment payments may elect to receive vouchers equivalent in value to the unemployment payments. These vouchers will entitle an employer to receive the credit for hiring qualified individuals for full-time employment within 6 months of their eligibility. Although payment of the additional benefits will end on September 30, 1983, individuals will be able to become eligible for vouchers until March 31, 1984. Employers will be able to receive a tax credit for any qualified individuals hired before April 1, 1984.

Impact:

This provison is expected to result in reduced revenues of less than $50 million for fiscal year 1983 and by $200, $200, and $100 million for fiscal years 1984 to 1986 respectively. These estimates assume that employers would utilize the tax credit for 700,000 qualified individuals over the course of the program.

Effective date:

April 1, 1983.

PART IV

Public Debt Limit

PUBLIC DEBT LIMIT

Public Law 96-78 provides a procedure for establishing the public debt limitation as part of the congressional budget process. This change was effective for fiscal year 1981, beginning October 1, 1980. The legislative history accompanying that statutory change indicates that the March 15 report of the Committee on Ways and Means is to include a specific recommendation with respect to the public debt limit for the fiscal year.

Under present law, the public debt limit consists of a permanent limitation of $400 billion and a temporary limitation of $890.2 billion, for a total of $1,290.2 billion, effective through September 30, 1983.

The debt subject to limit was $1,220.2 billion on March 3, 1983.

The administration estimates that the public debt subject to statutory limit will equal $1,379.9 billion at the end of fiscal year 1983 and $1,602.6 billion at the end of fiscal year 1984. The basis for these estimates is provided in the following table.

[In billions of dollars]

	1983	1984
Budget deficit	207.7	188.8
Deficit of off-budget Federal entities	17.7	14.0
Means of financing other than borrowing from the public	9.8	—.2
Change in debt held by the public	215.0	203.0
Change in Federal agency investments in Federal debt	21.8	19.6
Change in gross Federal debt	236.8	222.6
Outstanding debt, end of year:		
Gross Federal debt	1,383.7	1,606.3
Held by:		
Government agencies	239.3	258.9
The public	1,144.4	1,347.4
Debt subject to statutory limit	1,379.9	1,602.6

Appendix A

Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344)—An Overview

Excerpt From Public Law 93-344—The Congressional Budget and Impoundment Control Act of 1974

CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974 (PUBLIC LAW 93-344)

1. An Overview

OUTLINE OF CONGRESSIONAL BUDGET PROCESS UNDER PUBLIC LAW 93-344

On April 15 of each year, the Budget Committees of the House and Senate report to their respective Houses a concurrent resolution which is, in effect, a congressional budget document setting forth appropriate levels for spending revenues and public debt for the coming fiscal year. The spending levels are broken down into functional categories (such as "health," "income security," "national defense"). The recommendations in the resolution reported by the Budget Committee are subject to debate and amendment. When agreed to by the House and Senate (by May 15), the resolution represents congressional judgment of the appropriate fiscal situation for the coming year, although the amounts set forth in it are not otherwise binding.

After the May 15 adoption of the concurrent resolution, action on spending and revenue bills proceeds through early September. In the first half of September, a second concurrent resolution on the budget is considered by the Congress, which revises or reaffirms the earlier resolution and which can direct the appropriate committee to report legislation changing spending, revenue, or debt limit levels (or any combination of the three). Upon adoption of the resolution, committees directed to do so are to report the legislation called for by the resolution, and this legislation is then debated by Congress as part of a "reconciliation bill." Public Law 93-344 calls for action on this reconciliation bill to be completed by September 25, 5 days before the start of the new Federal fiscal year which will run from October 1 to September 30.

WAIVER OF RULES REGARDING BUDGET PROCEDURE

All the rules applicable to House procedures under the Congressional Budget Act can be suspended by a majority vote of the House. In addition, the act includes a special waiver procedure in connection with the provisions requiring that authorization bills not be acted on after May 15 and that revenue, debt limit, and spending bills (including social security, welfare, etc.) not be acted on before May 15. If a committee wished to have such legislation considered outside of the prescribed time, it would report out a resolution providing for waiver of the rule. This resolution would be referred to the Budget Committee which would have 10 days in which to consider and make its recommendations with respect to the waiver. Once the resolution is approved by the Budget Committee (or after 10 days in any case), the resolution of waiver would be

voted upon by the House, and, if it is approved, the House could proceed to consider the legislation.

2. Impact of Public Law 93-344 on Ways and Means Committee

LEGISLATION WHICH RESULTS IN ADDITIONAL FEDERAL SPENDING

Annual report to Budget Committee.—Each year, prior to the consideration of the first concurrent resolution on the budget, each committee is required to make a report to the Budget Committee estimating the amount of additional Federal spending during the coming fiscal year which will result from legislation under the committee's jurisdiction. This report is due no later than March 15.

Report after adoption of concurrent budget resolution.—The conference report on each budget resolution allocates the outlay and budget authority totals among the various committees. Each committee is then required, after consultation with the appropriate counterpart committee in the Senate, to subdivide its allocation of new budget authority and outlays among the programs under its jurisdiction (or among its subcommittees). These allocations subsequently serve as the basis for scorekeeping reports and for judging whether particular legislative proposals are consistent with the budget resolution.

Limitation on consideration of spending bill.—The Congressional Budget Act provides that bills involving entitlement programs (such as welfare) and bills directly increasing budget authority (such as social security or unemployment insurance) may not be considered in the House prior to the May 15 adoption of the first concurrent budget resolution. This requirement may be waived under the special waiver procedure or by a majority vote of the House of Representatives to suspend this rule. The act also requires that action on legislation of this type be completed by the seventh day after Labor Day. In addition, entitlement legislation (other than trust fund legislation) reported after January 1 of any year may not have an effective date prior to October 1 of that year.

Deadline for reporting authorizing legislation.—Legislation which authorizes appropriations (but does not necessarily require them) has to be reported by May 15 preceding the fiscal year for which the appropriations are authorized. (The act includes a procedure under which this deadline may be waived by House resolution; the rule may also be suspended by a majority vote of the House.) The Committee on Ways and Means has jurisdiction over some programs which fall in this category, such as grants to States for child welfare services. However, if such authorizations are included in entitlement or trust fund bills (which may not be reported prior to May 15), this provision does not apply.

Impact of concurrent budget resolutions on legislation.—The first concurrent resolution, which is to be passed about May 15, sets targets for spending in various areas.

While the budget totals included in the first resolution are in the nature of targets and are not strictly mandatory, they tend to establish fairly firmly the guidelines within which the Congress considers legislation affecting revenues and spending. Thus, if unrealistic objectives are used in setting first resolution totals, com-

mittees, may subsequently find their ability to act on desired legislation impaired.

A second concurrent resolution is to be passed in mid-September, and this resolution not only sets appropriate spending levels but may direct the committees having jurisdiction over spending legislation to report measures to rescind previously enacted spending authority so as to bring spending for the coming fiscal year within the levels determined to be appropriate. In the case of the Committee on Ways and Means, this may include a requirement that the committee report legislation to defer or reduce benefits under entitlement programs including both trust fund programs (such as unemployment insurance or social security) and non-trust-fund programs (such as welfare or social services).

After the beginning of a fiscal year, new spending measures for that fiscal year would be subject to a point of order if they would cause the spending limits in the concurrent resolution passed just before the beginning of that year to be exceeded. In the case of the Committee on Ways and Means, this limitation would apply to entitlement legislation dealing with both trust fund and non-trust-fund programs. (A new concurrent resolution could, however, be passed to authorize such additional spending, or the rule could be suspended by a majority vote of the House.)

Appropriations Committee review of entitlement bills.—Legislation in such areas as supplemental security income, welfare, or social services creates an entitlement to payments on the part of individuals or State or local governments even though these programs are funded through appropriation acts. The Congressional Budget Act requires that any future legislation which would create new entitlement programs or increase existing ones must be referred to the Appropriations Committee for a period of 15 days after it is reported by the substantive committee, if its enactment would exceed the amount provided for in the first budget resolution. The Appropriations Committee could not recommend any substantive changes in the legislation (e.g., lower individual benefit amounts), but it could recommend an amendment to limit the total amount of funding available for the legislation. If such amendment is approved by the House, the substantive committee might have to propose a further amendment to conform the legislation to that funding limit.

The requirement of referral to the Appropriations Committee would not apply to legislation affecting existing Social Security Act trust fund programs or other trust fund programs substantially funded through earmarked revenues.

Report on spending legislation.—The Congressional Budget Act requires the committee, in reporting legislation involving increased spending, to include in the report information showing how that spending compares with the amount of spending provided for in the most recent concurrent budget resolution. In addition, the report is required, to the extent practicable, to provide a projection for five fiscal years of the spending which will result from the legislation.

LEGISLATION RELATING TO REVENUES AND DEBT LIMIT

Annual report to the Budget Committee.—The March 15 annual report to the Budget Committee which is described above also must, in the case of the Ways and Means Committee, present views and estimates of the committee with regard to revenues and the debt limit.

No revenue legislation prior to May 15.—Under the Budget Act, debt limit or revenue legislation for the upcoming fiscal year is not in order for consideration by the House (or Senate) prior to the adoption of the first concurrent resolution on the budget (about May 15). This rule would not prevent action on revenue changes to be effective in years after the upcoming fiscal year. (A procedure for waiving this limitation is provided for; the rule could also be suspended by a majority vote of the House.)

Impact of budget resolution.—As with spending measures, the first concurrent resolution adopted in mid-May sets targets with respect to revenue and debt limit legislation, and the second concurrent resolution in September may direct the Committee on Ways and Means to report legislation to achieve the changes in aggregate revenues or in the debt limit which the Congress determines to be appropriate. Such legislation would have to be reported in time to be included in the reconciliation bill which would be acted upon before the October 1 start of the fiscal year. Once a second resolution on the budget is adopted by the Congress, any legislation which would cause the total revenues to be reduced below the level specified in the budget resolution would be subject to a point of order. If the second budget resolution set a revenue target which exactly matches the projected revenues under existing law (or any expected modifications to existing law), even minor bills having nearly negligible revenue impacts can be rejected on a point of order. As indicated above in describing the impact of the resolution on spending legislation, even the "nonmandatory" first resolution tends to be given great weight in the actual consideration of legislation. Thus, if the first resolution includes unrealistic revenue goals, the committee may face difficulties in the consideration of any revenue legislation.

Required report on tax expenditures.—The Congressional Budget Act defines the term "tax expenditures" to include any revenue losses attributable to tax provisions such as income exclusions, tax credits or deferrals, or preferential tax rates. The law requires that the committee report accompanying legislation to provide new or increased tax expenditures include information as to how such legislation would affect the level of tax expenditures under existing law. The report will also have to include (to the extent practicable) a projection of the tax expenditures resulting from the legislation over a period of five fiscal years.

EXCERPT FROM PUBLIC LAW 93-344—THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

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TITLE III—CONGRESSIONAL BUDGET PROCESS

Timetable

SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

On or before:	Action to be completed:
November 10	President submits current services budget.
15th day after Congress meets	President submits his budget.
March 15	Committees and joint committees submit reports to Budget Committees.
April 1	Congressional Budget Office submits report to Budget Committees.
April 15	Budget Committees report first concurrent resolution on the budget to their Houses.
May 15	Committees report bills and resolutions authorizing new budget authority.
May 15	Congress completes action on first concurrent resolution on the budget.
7th day after Labor Day	Congress completes action on bills and resolutions providing new budget authority and new spending authority.
September 15	Congress completes action on second required concurrent resolution on the budget.
September 25	Congress completes action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.
October 1	Fiscal year begins.

Adoption of First Concurrent Resolution

SEC. 301. (a) ACTION TO BE COMPLETED BY MAY 15.—On or before May 15 of each year, the Congress shall complete action on the first concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth—

(1) The appropriate level of total budget outlays and of total new budget authority;

(2) an estimate of budget outlays and an appropriate level of new budget authority for each major functional category, for contingencies, and for undistributed intragovernmental transactions, based on allocations of the appropriate level of total budget outlays and of total new budget authority;

(3) the amount, if any, of the surplus or the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors;

(4) the recommended level of Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(5) the appropriate level of the public debt, and the amount, if any, by which the statutory limit on the public debt should be increased or decreased by bills and resolutions to be reported by the appropriate committees; and

(6) such other matters relating to the budget as may be appropriate to carry out the purposes of this Act.

(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The first concurrent resolution on the budget may also require—

(1) a procedure under which all or certain bills and resolutions providing new budget authority or providing new spending authority described in section 401(c)(2)(C) for such fiscal year shall not be enrolled until the concurrent resolution required to be reported under section 310(a) has been agreed to, and, if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 310(c), until Congress has completed action on that bill or resolution, or both; and

(2) any other procedure which is considered appropriate to carry out the purposes of this Act.

Not later than the close of the Ninety-fifth Congress, the Committee on the Budget of each House shall report to its House on the implementation of procedures described in this subsection.

(c) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, each standing committee of the Senate shall submit to the Committee on the Budget of the Senate, and the Joint Economic Committee and Joint Committee on Taxation shall submit to the Committees on the Budget of both Houses—

(1) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and

(2) except in the case of such joint committees, the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

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TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

Bills Providing New Spending Authority

SEC. 401. (a) LEGISLATION PROVIDING CONTRACT OR BORROWING AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(A) or (B) (or any amendment which provides such new spending authority), unless that bill, resolution, or amendment also provides that such new spending authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(C) (or any amendment which provides such new spending authority) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

(2) If any committee of the House of Representatives or the Senate reports any bill or resolution which provides new spending authority described in subsection (c)(2)(C) which is to become effective during a fiscal year and the amount of new budget authority which will be requested for such fiscal year if such bill or resolution is enacted as so reported exceeds the appropriate allocation of new budget authority reported under section 302(b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year, such bill or resolution shall then be referred to the Committee on Appropriations of that House with instructions to report it, with the committee's recommendations, within 15 calendar days (not counting any day on which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar.

(3) The Committee on Appropriations of each House shall have jurisdiction to report any bill or resolution referred to it under paragraph (2) with an amendment which limits the total amount of new spending authority provided in such bill or resolution.

(c) DEFINITIONS.—

(1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this section, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under the Second Liberty Bond Act) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts; and

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(d) EXCEPTIONS.—

(1) Subsections (a) and (b) shall not apply to new spending authority if the budget authority for outlays which will result from such new spending authority is derived—

(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

(B) from any other trust fund, 90 percent or more of the receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

(2) Subsections (a) and (b) shall not apply to new spending authority which is an amendment to or extension of the State and Local Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority.

(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that—

(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act; or

(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

Appendix B

Committee on Ways and Means March 15, 1982, Report to the Budget Committee With Respect to Fiscal Year 1983

COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, D.C., March 9, 1982.

Hon. JAMES R. JONES,
Chairman, Committee on the Budget,
Washington, D.C.

DEAR MR. CHAIRMAN: This letter transmits the views and estimates of the Committee on Ways and Means, as required by section 301(c) of the Congressional Budget Act of 1974 on those aspects of the Federal budget for fiscal year 1983 which fall within the Committee's jurisdiction.

In making this report, the Committee on Ways and Means wishes to express its deep concerns about national economic conditions in fiscal years 1983 and beyond. Large budget deficits have been projected, and we believe that serious bipartisan efforts must be made by the Congress to address them. This report does not focus on any specific set of spending proposals. Rather, it seeks to provide the Committee on the Budget an overview of the present situation with respect to current law projections for those programs within the jurisdiction of the Committee on Ways and Means.

The Committee is committed to making every effort, on a bipartisan basis, to reduce the deficit by at least as much as that proposed in the Administration's budget on matters within the jurisdiction of the Committee on Ways and Means, but reserves the right to determine what the appropriate mix of revenue increases and outlay reductions should be to achieve at least that level of deficit reduction. The Committee intends to review all the alternatives available to it during the next few weeks and will communicate to the Committee on the Budget our more detailed recommendations as soon as they become available.

I. *Economic assumptions.*—In preparing this report to the Committee on the Budget, the Committee notes that differences remain in the economic assumptions used by the Administration in proposing its budget and the assumptions used by the Congressional Budget Office in reestimating that budget. While we are pleased to note that the difference in those assumptions is far less significant than was the case with the FY 1982 Budget, the Committee has chosen to reflect in this letter the estimates of revenues and outlays of our programs as calculated both by the Office of Management and Budget and the Congressional Budget Office.

TABLE 1.—ADMINISTRATION AND CBO BASELINE FISCAL YEAR 1983 CURRENT SERVICES BUDGET AUTHORITY AND OUTLAY ESTIMATES BY FUNCTION

[In billions of dollars]

Functional category	Congressional Budget Office		Administration	
	Budget authority	Outlays	Budget authority	Outlays
500 Education, training, employment and social services	3.8	3.8	3.8	3.8
550 Health	61.9	58.2	62.3	57.8
600 Income security	207.1	217.4	210.9	216.2
850 General purpose fiscal assistance	.4	.4	.4	.4
900 Interest	149.3	149.3	137.5	137.5

II. *Outlays by Function.*—As indicated in Table 1, the Committee on Ways and Means has jurisdictional responsibility over a broad range of programs with budget outlays classified in several different functional categories. Among the programs within the jurisdiction of the Committee are the various major entitlement programs authorized by the Social Security Act: the Old-Age, Survivors, and Disability Insurance program, the medicare program, the unemployment compensation program, Aid to Families with Dependent Children (including IV–B Child Welfare Services and IV–E Foster Care and Adoption Assistance), the Supplemental Security Income program and the Title XX social services program. In addition, the Committee has responsibility for Trade Adjustment Assistance and the Low-Income Energy Assistance program.

Function 500: Education, training, employment, and social services.—This function includes expenditures out of the Federal unemployment trust fund for administration of State Employment Services and unemployment compensation programs and out of employment and training assistance. In addition, Title XX social services, IV–B Child Welfare Services, and the new IV–E Foster Care and Adoption Assistance program are included in this function.

The Committee recommends $100,000,000 for training and job search and relocation allowances under the trade adjustment assistance program for workers. The Administration has not yet decided on the level of allocation for those functions under a proposed $200,000,000 special targeted program.

Function 550: Health.—In this function, the Committee has jurisdiction over the medicare program including the hospital insurance program (part A) and the supplementary medical insurance program (part B).

Function 600: Income Security.—In this function, the Committee's jurisdiction includes the Old-Age, Survivors, and Disability Insurance program (OASDI), the trade adjustment assistance program for workers, the Federal-State unemployment compensation system, the Aid to Families with Dependent Children program, the Supplemental Security Income program, the Low-Income Energy Assistance authorization, the Pension Benefit Guarantee Corpora-

tion Fund and the earned income tax credit available to certain low-income families.

The President's fiscal year 1983 Budget recommends limiting certain administrative expenses of the Social Security Administration through language included in the fiscal year 1983 request for appropriations. This matter is more properly addressed through legislation which would be within the jurisdiction of the Committee on Ways and Means. The Committee expects to be acting on legislation of this general nature later this year. The Committee, therefore, recommends that the recommendations of the Administration not be included in appropriation legislation enacted this year.

The President's Budget also contains recommendations to eliminate the existing railroad retirement program and to cover railroad workers under the social security program beginning October 1, 1982. The Committee has been informed that the Committee on Energy and Commerce, which has jurisdiction over the nonrevenue aspects of the railroad retirement program, does not anticipate taking any action on these Administration recommendations. It is, therefore, not anticipated that the Committee on Ways and Means will act on the aspects of these recommendations that fall within its jurisdiction.

The Committee will be developing legislation this year to limit cash benefit entitlements under the worker trade adjustment assistance program to applicants for training, as opposed to the Administration proposal to eliminate such benefits as of July 1, 1982, except for workers already enrolled in training.

Function 850: General purpose fiscal assistance.—In this function, the Committee has jurisdiction over the U.S. Customs Service's collection of customs revenues for Puerto Rico. The Committee recommendation of $362 million is the same as requested by the Administration.

Function 900: Interest.—The difference between the current service estimates of the Congressional Budget Office and the Administration is due primarily to different projections for the interest rate. The Administration projects an average 10.5 percent interest rate for 91 day Treasury bills, whereas CBO projects a 13.2 percent rate for fiscal year 1983. To a much smaller extent, the difference is also due to different projections about the unified budget deficit under current law.

III. *Other Matters.*—The Committee is responsible for the authorization of appropriations for the U.S. Customs Service, the U.S. International Trade Commission (USITC), and the Office of the U.S. Trade Representative (USTR). For the Customs Service, the Committee recommends continuation of the level of services currently funded at $493,743,000 in fiscal year 1982, to be adjusted upward by an amount yet to be determined for inflation, pay increases, and possible transfer of BATF functions. The Administration request of $530,524,000 represents a $12,683,000 reduction in current operations. The Committee recommends $19,737,000 and $10,100,000 for the USITC and USTR, respectively, the same amounts requested by the Administration. The Committee also has jurisdiction over the trade adjustment assistance program for firms and recommends its continuation in fiscal year 1983 at the current fiscal year 1982

funding level of $27,578,000 rather than elimination of the program as proposed in the President's fiscal year 1983 Budget.

Also in the trade sector, the Committee has reviewed and approved the funding levels requested by the Administration for (a) disposition of unclaimed and seized goods by the Customs Service ($100,025,000), (b) the Department of Commerce International Trade Administration ($137,371,000), (c) foreign trade statistics programs of the Department of Commerce ($13,263,000), and (d) the U.S. contributions to the GATT ($1,842,000).

TABLE 2.—FISCAL YEAR 1983 CURRENT SERVICES REVENUE ESTIMATES

[In billions]

Administration's estimate	$653
Congressional Budget Office estimate	652

IV. *Revenues.*—The President's Budget for fiscal year 1983 projects revenues of $653 billion on a current services basis. This estimate reflects the revenue effect of the Economic Recovery Tax Act of 1981 and the increases in the social security tax rate and taxable earnings base scheduled under current law. The Congressional Budget Office estimates fiscal year 1983 revenues at $652 billion. The $1 billion difference between the Administration estimate and the Congressional Budget Office estimate reflects different economic assumptions and technical estimating differences.

TABLE 3.—FISCAL YEAR 1983 DEBT LIMIT ESTIMATES

[In billions]

Administration's deficit estimates:	
Unified budget deficit	$146
Off-budget entities	16
Total deficit	162
Debt subject to limit	1,309
CBO deficit estimates:	
Unified budget	157
Off-budget entities	16
Total deficit	173
Debt subject to limit	1,333

V. *Public Debt Limit.*—The President's Budget projects a fiscal year 1983 deficit of $146 billion on a current services basis. The Congressional Budget Office estimates that the fiscal year 1983 budget deficit will be $157 billion assuming the same current services policy.

In the absence of any legislative action to reduce spending or increase revenues, the total deficit (including off-budget entities) is estimated by the Administration to be $162 billion which will require that the debt subject to statutory limit be increased to $1.309 trillion for the period ending September 30, 1983. The Congressional Budget Office estimates that in the absence of further legislative action, the total fiscal year 1983 deficit (including off-budget entities) will be $173 billion requiring that the debt subject to statutory limit be increased to $1.333 trillion for the period ending September 30, 1983.

The Committee is very alarmed by the level of deficit projected on a current services basis under either the Administration's estimate or the Congressional Budget Office estimate. It is our earnest hope that legislation can be developed during the upcoming months that will address these deficit estimates in a realistic manner. The Committee on Ways and Means has every intention of taking a primary role in that effort.

It should also be noted that, as a result of legislation enacted last year and the current economic situation, projections of levels of federal borrowing for fiscal year 1982 are significantly understated. As a result, it is estimated that the current debt limit, of $1,079.8 billion, will not be adequate to meet Treasury borrowing requirements through September 30, 1982. It is anticipated that the current debt limit will be reached before the end of May. As a result, the Administration must submit a request to the Committee on Ways and Means to raise the debt limit, most likely the latter part of April.

VI. *Tax Expenditures.*—The report on tax expenditures of the staff of the Joint Committee on Taxation which serves as the Joint Committee's report to the Budget Committee is appended to this letter and is designed to assist the Budget Committee in meeting its obligations under section 301(d)(6) of the Budget Act.

VII. *Five-year budgetary outlook.*—The magnitude and timing of the changes in outlays or expenditures which may result from changes in the law to be recommended by the Committee during this session of the Congress will depend heavily on the exact nature of each specific legislative change. The magnitude of these changes can be determined only after the entire process of substantive consideration by the Committee and the Congress is completed.

The Committee recognizes that the Congressional Budget Act requires the Budget Committees to undertake an analysis of the five-year budgetary outlook and include such projections in their reports on the budget resolution. This is a useful and appropriate element in congressional consideration of broad budgetary prespectives. However, for the reasons cited above, the Committee believes that attempts by substantive committees to provide detailed projections of the likely impact of legislative changes on future fiscal years would be a highly speculative exercise if done prior to actual legislative consideration. The Committee does recognize the importance of future year budgetary impact projections and believes that the Budget Act and the House Rules properly impose on substantive committees the obligation to make such projections when they have completed legislative consideration and are reporting a measure to the House of Representatives. For the information of the

Budget Committee, however, the following summary of projected program outlays under current law for the next three fiscal years is provided. In order to be as informative as possible, the Congressional Budget Office baseline projections are presented by individual program and not merely by budget function.

TABLE 4.—CBO BASELINE PROJECTIONS FOR PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

[In billions of dollars]

	1982	1983	1984	1985
Social security	158.0	173.6	188.1	203.0
Medicare	48.9	58.2	66.7	77.9
Trade adjustment assistance	0.2	0.1	0.1	0.1
Unemployment compensation	24.3	23.3	21.7	21.9
AFDC and child support	8.1	8.3	8.5	9.0
Earned income tax credit	1.3	1.2	1.1	1.1
SSI	8.0	9.1	8.3	9.5
Low income energy assistance	1.8	1.9	2.0	2.3
Social services block grant (title XX)	2.4	2.5	2.5	2.6
Child welfare, foster care and adoption assistance	0.5	0.5	0.6	0.6
Total	253.5	278.6	299.6	328.1

VIII. *Additional materials.*—To assist the Budget Committee in carrying out its responsibilities and to help it in making assessments concerning the specific recommended reductions within the jurisdiction of the Committee on Ways amd Means, I am enclosing a copy of Ways and Means Committee Print 97-29 entitled, "Background Material and Data on Major Programs within the Jurisdiction of the Committee on Ways and Means." In addition, I am also enclosing a copy of background document, "Description of the Administration's Legislative Recommendations Under the Jurisdiction of the Committee on Ways and Means." I hope you find this information useful. As always, the Members of this Committee and its staff are available to answer any questions you may have on any aspect of this report.

With warm regards, I am

Sincerely yours,

DAN ROSTENKOWSKI, *Chairman.*

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